

**CASE**

**NUMBER:**

99.481

KY. PUBLIC SERVICE COMMISSION

Index for Case: 1999-00481

AS OF : 03/21/02

Lawrence County Water District

Transfer / Sale / Purchase / Merger

Regular

BY BIG SANDY WATER DISTRICT

IN THE MATTER OF THE JOINT APPLICATION OF LAWRENCE COUNTY WATER DISTRICT AND BIG SANDY WATER DISTRICT FOR AUTHORIZATION AND APPROVAL OF THE PROPOSED TRANSFER OF OWNERSHIP AND CONTROL OF ALL OF LAWRENCE COUNTY WATER DISTRICT'S WATER SYSTEM PROPERTY ASSETS AND FUNDS TO BIG SANDY WATER DISTRICT

SEQ NBR	Date	Remarks
1	11/23/99	Application.
2	11/23/99	Acknowledgement letter.
3	01/13/00	Waiver and Extension of Statutory Time Period, signed waiver due 1/22/2000.
4	(M) 01/19/00	WAIVER & EXTENSION OF STATUTORY TIME PERIOD (RANDALL JONES LAWRENCE CO WD)
5	02/08/00	Order issuing data request; response due 2/22
6	(M) 02/22/00	RESPONSE TO ORDER OF FEB 8,00 (RANDALL JONES LCWD - BSWD)
7	03/02/00	FINAL ORDER; APPROVES TRANSFER OF LAWRENCE DISTRICT'S ASSETS
8	(M) 10/05/00	COPY OF ORDER OF LAWRENCE CO. JUDGE EXPANDING TERRITORY (RANDALL JONES/BIG SANDY WATER DIS.)
9	04/18/01	First Reminder Letter for info. requested in 3/02/00 Order.
10	(M) 04/27/01	TARIFF AND RESPONSE TO FINAL ORDER OF 3/2/00 (BOB MCCLOTHILIN/BIG SANDY WATER)
11	06/20/01	Second Reminder letter sent out 6/14/01. — missing? SH
12	07/06/01	Letter to Bob McGlothlin concerns of transfer —
13	(M) 07/11/01	AMOUNTS OF JOURNAL ENTRIES (ROBERT MCGLOTHLIN/BIG SANDY WATER)
14	(M) 11/19/01	John T Lane - Response to July 6, 2001 letter

1999-481

JOHN T. LANE, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

219 YOUNG LANE, SUITE 2

MT. STERLING, KENTUCKY 40353

(859) 498-9915

FAX (859) 498-6973

MEMBER:

AMERICAN INSTITUTE OF CPA'S

KENTUCKY SOCIETY OF CPA'S

RECEIVED

NOV 14 2001

PSC  
FINANCIAL ANALYSIS

RECEIVED

NOV 19 2001

PUBLIC SERVICE  
COMMISSION

November 13, 2001

M. Christina Whelan, CPA  
Public Service Commission  
P.O. Box 615  
Division of Financial Analysis  
Frankfort, KY 40601

RE: Big Sandy Water District

Case No. 99-481

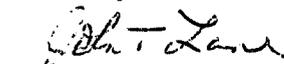
Dear Ms. Whelan:

Belatedly I have reviewed your July 6, 2001 letter to the above referenced District. I concur that the temporary comingling of funds makes it nearly impossible to determine the exact balances to be transferred. I am willing to, and will, accept your proposed adjustment.

I will correct my files and by copy of this letter am instructing the District to record your proposed adjustment and, if necessary, reverse my entry.

I appreciate your efforts in researching the issue.

Sincerely,



John T. Lane

CC: Big Sandy Water District

**BIG SANDY WATER DISTRICT**

18200 STATE ROUTE 3 ~ CATLETTSBURG KY 41129  
Phone 1-606-928-2075 ~ Fax 1-606-928-8454  
TOLL FREE 1-800-354-2933

July 10, 2001

RECEIVED

JUL 11 2001

PUBLIC SERVICE  
COMMISSION

Mr. Thomas M. Dorman, Executive Director  
Public Service Commission  
211 Sower Blvd, PO Box 615  
Frankfort KY 40602

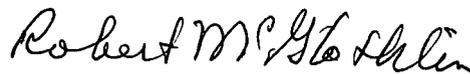
RE: Case No. 1999-481  
June 14, 2001 Letter

Dear Mr. Dorman:

Enclosed are the amounts of the journal entries made in the Big Sandy books of the transfers from the Lawrence County Water Districts (sheet #1). We have discussed these with Cris Whalen of your staff and agree that some adjustments might be necessary to be made so they match the 1999 LCWD audit. We are working this out with help from Ms. Whalen and John T. Lane, our auditor.

Item 3(b) We have gone ahead and changed the rates of the former LCWD customers to the BSWD rate. We had planned to do this at the end of the Phase II Construction. Enclosed is a copy of the BSWD rate (sheet #2) comparison of the two rates (sheet #3 & #4) and the newspaper notice to the customers.

Sincerely,



Robert McGlothlin  
Superintendent

#1

THE FOLLOWING ENTRIES WERE MADE INTO BIG SANDY WATER DISTRICT BOOK'S  
FOR THE ASSETS AND LIABILITIES OF LAWRENCE COUNTY WATER DISTRICT:

CREDIT 271-1	CONT IN AID OF CONSTRUCTION	\$1,201,263.79
CREDIT 232-3	USDA-LCWD LOAN	\$ 495,000.00
DEBIT 303	LAND & LAND RIGHTS	\$ 2,000.00
DEBIT 311	PUMPING EQUIPMENT	\$ 44,984.00
DEBIT 330	DISTRIBUTION RESERVIORS	\$ 98,211.38
DEBIT 331	TRANSMISSION & DISTRIBUTION MAINS	\$1,306,627.51
DEBIT 333	SERVICE PIPE-ACCESSORIES	\$ 57,827.61
DEBIT 334	METERS & METER INSTALLATION	\$ 89,017.71
DEBIT 335	HYDRANTS	\$ 3,361.76
DEBIT 340-1	OFFICE EQUIPMENT-COMPUTER	\$ 7,922.00
DEBIT 343	TOOLS, SHOP & GARAGE EQUIPMENT	\$ 2,710.05
DEBIT 348	TELEMETRY EQUIPMENT	\$ 2,090.00
DEBIT 105	CONSTRUCTION WORK IN PROGRESS (WOOLPERT FOR ENGINEERING & INSPECTION SERVICES)	\$ 81,511.77

#2

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NO. 99-440 DATED 11-24-99

The following rates and charges are prescribed for the customers in the area served by the Big Sandy Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this commission prior to the effective date of this Order.

Minimum Bills

<u>Meter Size</u>	<u>Usage Allowance</u>	<u>Minimum Bills</u>
5/8 Inch	2,000 Gallons	\$ 15.12
1 Inch	10,000 Gallons	60.40
1 1/2 Inch	30,000 Gallons	151.00
2 Inch	50,000 Gallons	226.40
3 Inch	100,000 Gallons	376.90
4 Inch	200,000 Gallons	677.90

Metered Rates

<u>Rate Step</u>	<u>Rate per 1,000 Gallons</u>
First 2,000 Gallons	\$ 7.56
Next 8,000 Gallons	5.66
Next 20,000 Gallons	4.53
Next 20,000 Gallons	3.77
Over 50,000 Gallons	3.01

#3

B500 Rates

GALLONS. USED	CURRENT PRICE	UT TAX	TOTAL	GALLONS USED	CURRENT PRICE	UT TAX	TOTAL
2,000	15.12	.45	15.57	6,600	41.16	1.23	42.39
2,100	15.69	.47	16.61	6,700	41.72	1.25	42.97
2,200	16.25	.49	16.74	6,800	42.29	1.27	43.56
2,300	16.82	.50	17.32	6,900	42.85	1.29	44.14
2,400	17.38	.52	17.90	7,000	43.42	1.30	44.72
2,500	17.95	.54	18.49	7,100	43.99	1.32	45.31
2,600	18.52	.56	19.08	7,200	44.55	1.34	45.89
2,700	19.08	.57	19.65	7,300	45.12	1.35	46.47
2,800	19.65	.59	20.24	7,400	45.68	1.37	47.05
2,900	20.21	.61	20.82	7,500	46.25	1.39	47.64
3,000	20.78	.62	21.40	7,600	46.82	1.40	48.22
3,100	21.35	.64	21.99	7,700	47.38	1.42	48.80
3,200	21.91	.66	22.57	7,800	47.95	1.44	49.39
3,300	22.48	.67	23.15	7,900	48.51	1.46	49.97
3,400	23.04	.69	23.73	8,000	49.08	1.47	50.55
3,500	23.61	.71	24.32	8,100	49.65	1.49	51.14
3,600	24.18	.73	24.91	8,200	50.21	1.51	51.72
3,700	27.74	.74	25.48	8,300	50.78	1.52	52.30
3,800	25.31	.76	26.07	8,400	51.34	1.54	52.88
3,900	25.87	.78	26.65	8,500	51.91	1.56	53.47
4,000	26.44	.79	27.23	8,600	52.48	1.57	54.05
4,100	27.01	.81	27.82	8,700	43.04	1.59	54.63
4,200	27.57	.83	28.40	8,800	53.61	1.61	55.22
4,300	28.14	.84	28.98	8,900	54.17	1.63	55.80
4,400	28.70	.86	29.56	9,000	54.74	1.64	56.38
4,500	29.27	.88	30.15	9,100	55.31	1.66	56.97
4,600	29.84	.90	30.74	9,200	55.87	1.68	57.55
4,700	30.40	.91	31.31	9,300	56.44	1.69	58.13
4,800	30.97	.93	31.90	9,400	57.00	1.71	58.71
4,900	31.53	.95	32.48	9,500	57.57	1.73	59.30
5,000	32.10	.96	33.06	9,600	58.14	1.74	59.88
5,100	32.67	.98	33.65	9,700	58.70	1.76	60.46
5,200	33.23	1.00	34.23	9,800	59.27	1.78	61.05
5,300	33.80	1.01	34.81	9,900	59.83	1.79	61.62
5,400	34.36	1.03	35.39	10,000	60.40	1.81	62.21
5,500	34.93	1.05	35.98	10,100	60.85	1.83	62.68
5,600	35.50	1.07	36.57	10,200	61.31	1.84	63.15
5,700	36.06	1.08	37.14	10,300	61.76	1.85	63.61
5,800	36.63	1.10	37.73	10,400	62.21	1.87	64.08
5,900	37.19	1.12	38.31	10,500	62.67	1.88	64.55
6,000	37.76	1.13	38.89	10,600	63.12	1.89	65.01
6,100	38.33	1.15	39.48	10,700	63.57	1.91	65.48
6,200	38.89	1.17	40.06	10,800	64.02	1.92	65.94
6,300	39.46	1.18	40.64	10,900	64.48	1.93	66.41
6,400	40.02	1.20	41.22	11,000	64.93	1.95	66.88
6,500	40.59	1.22	41.81	11,100	65.38	1.96	67.34

#4

LCWD WATER RATES

GALLONS USED	CURRENT PRICE	UT TAX	TOTAL	GALLONS USED	CURRENT PRICE	UT TAX	TOTAL
2,000	16.00	.48	16.48	6,600	37.40	1.12	38.52
2,100	16.50	.50	17.00	6,700	37.80	1.13	38.93
2,200	17.00	.51	17.51	6,800	38.20	1.15	39.35
2,300	17.50	.53	18.03	6,900	38.60	1.16	39.76
2,400	18.00	.54	18.54	7,000	39.00	1.17	40.17
2,500	18.50	.56	19.06	7,100	39.40	1.18	40.58
2,600	19.00	.57	19.57	7,200	39.80	1.19	40.99
2,700	19.50	.59	20.09	7,300	40.20	1.21	41.41
2,800	20.00	.60	20.60	7,400	40.60	1.22	41.82
2,900	20.50	.62	21.12	7,500	41.00	1.23	42.23
3,000	21.00	.63	21.63	7,600	41.40	1.24	42.64
3,100	21.50	.65	22.15	7,700	41.80	1.25	43.05
3,200	22.00	.66	22.66	7,800	42.20	1.27	43.47
3,300	22.50	.68	23.18	7,900	42.60	1.28	43.88
3,400	23.00	.69	23.69	8,000	43.00	1.29	44.29
3,500	23.50	.71	24.21	8,100	43.40	1.30	44.70
3,600	24.00	.72	24.72	8,200	43.80	1.31	45.11
3,700	24.50	.74	25.24	8,300	44.20	1.33	45.53
3,800	25.00	.75	25.75	8,400	44.60	1.34	45.94
3,900	25.50	.77	26.27	8,500	45.00	1.35	46.35
4,000	26.00	.78	26.78	8,600	45.40	1.36	46.76
4,100	26.50	.80	27.30	8,700	45.80	1.37	47.17
4,200	27.00	.81	27.81	8,800	46.20	1.39	47.59
4,300	27.50	.83	28.33	8,900	46.60	1.40	48.00
4,400	28.00	.84	28.84	9,000	47.00	1.41	48.41
4,500	28.50	.86	29.36	9,100	47.40	1.42	48.82
4,600	29.00	.87	29.87	9,200	47.80	1.43	49.23
4,700	29.50	.89	30.39	9,300	48.20	1.45	49.65
4,800	30.00	.90	30.90	9,400	48.60	1.46	50.06
4,900	30.50	.92	31.42	9,500	49.00	1.47	50.47
5,000	31.00	.93	31.93	9,600	49.40	1.48	50.88
5,100	31.40	.94	32.34	9,700	49.80	1.49	51.29
5,200	31.80	.95	32.75	9,800	50.20	1.51	51.71
5,300	32.20	.97	33.17	9,900	50.60	1.52	52.12
5,400	32.60	.98	33.58	10,000	51.00	1.53	52.53
5,500	33.00	.99	33.99	10,100	51.35	1.54	52.89
5,600	33.40	1.00	34.40	10,200	51.70	1.55	53.25
5,700	33.80	1.01	34.81	10,300	52.05	1.56	53.61
5,800	34.20	1.03	35.23	10,400	52.40	1.57	53.97
5,900	34.60	1.04	35.64	10,500	52.75	1.58	54.33
6,000	35.00	1.05	36.05	10,600	53.10	1.59	54.69
6,100	35.40	1.06	36.46	10,700	53.45	1.60	55.05
6,200	35.80	1.07	36.87	10,800	53.80	1.61	55.41
6,300	36.20	1.09	37.29	10,900	54.15	1.62	55.77
6,400	36.60	1.10	37.70	11,000	54.50	1.64	56.14
6,500	37.00	1.11	38.11	11,100	54.85	1.65	56.50

(6/27 chg)

**LEGAL NOTICE  
BIG SANDY WATER  
DISTRICT**

**18200 STATE ROUTE  
3-CATLETTSBURG, KY  
41129**

**PHONE 1-606-928-2075  
FAX 1-606-928-8454**

NOTICE TO BIG SANDY  
WATER DISTRICT CUS-  
TOMERS WHO WERE  
FORMALLY SERVED BY  
LAWRENCE COUNTY  
WATER DISTRICT AND  
HAVE A CUSTOMER  
ACCOUNT NUMBER  
BEGINNING WITH 20-  
ON THE NEXT BILLING  
AFTER THIS IS PUB-  
LISHED, YOUR WATER  
RATES WILL BE  
CHANGED TO THE FOL-  
LOWING:

MINIMUM BILLS  
METER SIZE: 5/8 INCH  
USAGE ALLOWANCE:  
2,000 GALLONS

MINIMUM BILLS: \$15.12  
METER SIZE: 1 INCH  
USAGE ALLOWANCE:  
10,000 GALLONS

MINIMUM BILLS: \$60.40  
METER SIZE: 1 1/2 INCH  
USAGE ALLOWANCE:  
30,000 GALLONS

MINIMUM BILLS: \$151.00  
METER SIZE: 2 INCH  
USAGE ALLOWANCE:  
50,000 GALLONS

MINIMUM BILLS: \$226.40  
METER SIZE: 3 INCH  
USAGE ALLOWANCE:  
100,000 GALLONS

MINIMUM BILLS: \$376.90  
METER SIZE: 4 INCH  
USAGE ALLOWANCE:  
200,000 GALLONS

MINIMUM BILLS: \$677.90  
METERED RATES/RATE  
PER 1,000 GALLONS

RATE STEP: FIRST 2,000  
GALLONS: \$7.56

RATE STEP: NEXT 8,000  
GALLONS: \$5.66

RATE STEP: NEXT  
20,000 GALLONS: \$4.53

RATE STEP: NEXT  
20,000 GALLONS: \$3.77

RATE STEP: OVER  
50,000 GALLONS: \$3.01

This is in accordance with  
Public Service  
Commission's Order of  
March 2, 2000 in case no.

99-481.

(6/27 chg)

**BIG SANDY WATER DISTRICT**

18200 STATE ROUTE 3 ~ CATLETTSBURG KY 41129  
Phone 1-606-928-2075 ~ Fax 1-606-928-8454  
TOLL FREE 1-800-354-2933

April 23, 2001

Thomas M. Dorman, Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort KY 40602

RECEIVED  
APR 27 2001  
PUBLIC SERVICE  
COMMISSION

Re: Case No. 1999-481

Dear Mr. Dorman:

The transfer of the Lawrence County Water District is complete. After the order was filed on March 2, 2000, the following procedures have taken place: March 15, 2000, the bank accounts were moved to Big Sandy Water District and used to pay outstanding debts, cost including past due operations and cost of transferring. The tap fee money of \$81,581.77 was paid to the engineer for his work on the Phase II Construction which we hope to advertise for bid next month. September 19, 2000, Lawrence County Fiscal Court transferred the operation territory to Big Sandy Water District (copy enclosed). September 26, 2000 a new bond was secured from Rural Utility Service for \$495,000 by Big Sandy Water District and paid off Lawrence County Water District Bond (copy enclosed).

The rates did not change for those customers previously served by Lawrence County Water District. The number has increased from 220 to 264.

Enclosed is the attorney's letter with copies of the assignment of intangible property and bill of sale of personal property we just received.

Aaron Greenwell's staff filed the 1999 Annual Report without Lafe Hinkle's signature. We are now working on our 2000 Audit and Annual Report trying to incorporate the assets and liabilities to get a perfect financial picture.

I'm glad this is nearly over.

Sincerely,

*Bob McGlothlin*

Bob McGlothlin  
Superintendent

HANBURY, WILLIAMS, HALL & LATHEROW, P.S.C.

ATTORNEYS AT LAW  
1401 GREENUP AVENUE  
P.O. BOX 2008  
ASHLAND, KENTUCKY 41105-2008

JOHN I. HANBURY\*  
KENNETH WILLIAMS, JR.  
ROGER W. HALL  
DAVID F. LATHEROW\*  
CATHERINE C. HADDEN

TELEPHONE (606) 329-1919  
FAX (606) 325-4303

\*ALSO ADMITTED IN OHIO

April 5, 2001

Mr. Bob McGlothlin  
Superintendent  
Big Sandy Water District  
18200 State Route 3  
Catlettsburg, KY 41129

RECEIVED  
APR 27 2001  
PUBLIC SERVICE  
COMMISSION

RE: Lawrence County Water District

Dear Bob:

While in Louisa on Wednesday, I stopped into see Kim Compton to try yet again to have the executed documents returned that I had been working on since last September. She told me that she had given them to the County Judge Executive "last month" and I explained to her that those had to go to the Chairman of the Lawrence County Water District. She called Leif Hinkle and he confirmed that he had them and had had them in his file for over a month. I went over to the bank and picked them up and then went ahead and recorded the assignment of easements. I have enclosed copies of the assignment of intangible property and the absolute bill of sale for personal property.

We are making progress on the deeds, however, we were not able to find anything on the George W. Hardin estate. There is no recorded will in the County Clerk's office and there is no record of any probate in the District Clerk's office. Any information you can get to us would be helpful as the easements that we now have are not recordable. Please either check this for me or give me a name to call to get further information.

Very truly yours,



Roger W. Hall

Jack + Sally  
Hardin

RWH/mja

Enclosure(s)

HANBURY, WILLIAMS, HALL & LATHEROW, P.S.C.

ATTORNEYS AT LAW  
1401 GREENUP AVENUE  
P.O. BOX 2008  
ASHLAND, KENTUCKY 41105-2008

TELEPHONE (606) 329-1919  
FAX (606) 325-4303

JOHN I. HANBURY\*  
KENNETH WILLIAMS, JR.  
ROGER W. HALL  
DAVID F. LATHEROW\*  
MARK S. DVORAK  
CATHERINE C. HADDEN

\*ALSO ADMITTED IN OHIO

November 15, 2000

Hon. Kimberly H. Compton  
122 S. Main Cross Street  
Louisa, KY 41230

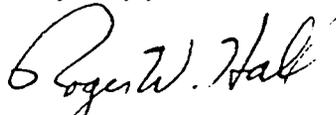
RE: Big Sandy Water District

Dear Ms. Compton:

I have forwarded to you some documents in connection with the closing between Big Sandy Water District and the Lawrence County Water District by letter dated September 25, 2000. These included an assignment of intangible property, an absolute bill of sale for personal property and an assignment of easements. All of those documents should be signed by the Chairman of the Lawrence County Water District. I assume that you would want to review those prior to their execution by the District.

If there is a problem with any of those documents, please let me know. Otherwise, I would appreciate it if you could forward them to the Chairman of the Lawrence County Water District for signature and return to me. Thank you for your cooperation.

Very truly yours,



Roger W. Hall

RWH/mja

cc: Big Sandy Water District

## ASSIGNMENT OF INTANGIBLE PROPERTY

LAWRENCE COUNTY WATER DISTRICT, a Water District organized and operated under the provisions of Chapter 74 of the Kentucky Revised Statutes, with its principal office located in Louisa, Lawrence County, Kentucky, ("District"), in accordance with the Contract dated November 1, 1999, and incorporated by reference herein ("Contract"), and as part of the consideration for the performance of said Contract, hereby grants, sales, bargains, conveys, transfers and assigns to the Big Sandy Water District, ("Big Sandy"), a Water District organized under the provisions of Chapter 74 of the Kentucky Revised Statutes, with its principal office located at 18200 Kentucky Route 3, Catlettsburg, Boyd County, KY 41129, its successors and assigns, all of the District's right, title and interest in and to all intangible property described or referred to in the Contract, incorporated by reference and made a part hereof (the "Intangible Property").

The District represents and warrants to Big Sandy, that the District holds good and marketable title to the Intangible Property, that the District has the right, power and authority to sell and dispose of same and to execute this Assignment.

The District agrees that it will from time to time and upon request of Big Sandy execute and deliver to Big Sandy such instruments of title, conveyance and release, or of any other nature, all as may be appropriate to effect the perfection in Big Sandy of the title to the Intangible Property. The District represents and warrants that it has delivered to Big Sandy all of the existing original executed copies (or reproductions if no original is available or full written description if no written evidence exists) of every contract, understanding, permit license, authorization, warranty, guaranty, certificate or other evidence of right, claim or interest of any of the Intangible Property.

IN WITNESS WHEREOF, the District has executed this Assignment, this \_\_\_\_ day of \_\_\_\_\_, 2000.

LAWRENCE COUNTY WATER DISTRICT

By: Lyle A. Hinkle III  
CHAIRMAN OF ITS COMMISSION

ATTEST:

Garry W. Hester  
SECRETARY OF ITS COMMISSION

COMMONWEALTH OF KENTUCKY )  
(  
COUNTY OF LOUISA )

The foregoing Assignment of Intangible Property was acknowledged before me on this 27 day of Feb 2001, 2000, by Lyle S. Hinkle III, its Chairman.

Eugene J. Spahr  
NOTARY PUBLIC, STATE AT LARGE  
Qualified in LAWRENCE County  
My commission expires JUNE 5, 2004

**ABSOLUTE BILL OF SALE  
FOR PERSONAL PROPERTY**

LAWRENCE COUNTY WATER DISTRICT, a Water District organized and operated under the provisions of Chapter 74 of the Kentucky Revised Statutes, with its principal office located in Louisa, Lawrence County, Kentucky, ("District"), in accordance with the Contract dated November 1, 1999, and incorporated by reference herein ("Contract"), and as part of the consideration for the performance of said Contract, hereby grants, bargains, transfers, sales and delivers unto Big Sandy Water District, ("Big Sandy"), a Water District organized under the provisions of Chapter 74 of the Kentucky Revised Statutes, with its principal office located at 18200 Kentucky Route 3, Catlettsburg, Boyd County, Kentucky 41129, all of the District's right, title and interest in and to all personal property, described or referred to in the Contract, incorporated by reference and made a part hereof (the "Personal Property").

The District warrants to Big Sandy that it has good and marketable title to the personal property conveyed by this Bill of Sale, that it has full right and title thereto and authority to sell and dispose of the same. The District further warrants that all tangible personal property is in good repair and is suitable for daily use in the ordinary course of operations of Big Sandy's water supply system, excepting ordinary wear and tear.

The District agrees that it will from time to time and upon request of Big Sandy execute and deliver to Big Sandy such instruments of title, conveyance and release, or of any other nature, all as may be appropriate to effect the perfection in the Big Sandy of the title to the Personal Property free and clear of all liens, encumbrances, security interest and adverse claims.

The District warrants that the Personal Property is fit for the ordinary purpose for which it

is intended.

IN WITNESS WHEREOF, the District has executed this Bill of Sale this 27 day of

Feb 2001  
2000.

LAWRENCE COUNTY WATER DISTRICT

BY: Lyle A. Hinkle II  
CHAIRMAN OF ITS COMMISSION

ATTEST:

Garry W. Hefley  
SECRETARY OF ITS COMMISSION

COMMONWEALTH OF KENTUCKY )  
(  
COUNTY OF LAWRENCE )

The foregoing Absolute Bill of Sale for Personal Property was acknowledged before me on this 27 day of Feb, 2001, ~~2000~~, by Lyle A. Hinkle II, it  
Chairman.

Suzanne L. Steff  
NOTARY PUBLIC, STATE AT LARGE  
Qualified in Lawrence County  
My commission expires JUNE 5, 2004

BEFORE THE COUNTY JUDGE/EXECUTIVE  
LAWRENCE COUNTY, KENTUCKY

NO.

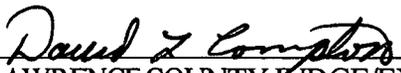
IN THE MATTER OF THE BIG SANDY WATER DISTRICT

ORDER

This matter having come on for hearing on 28 day of AUG. at the regularly scheduled meeting of the Lawrence County Fiscal Court, pursuant to the Petition filed by the Board of Commissioners of the Big Sandy Water District seeking to annex all of the territory currently within the Lawrence County Water District, the remainder of Lawrence County not already served by Rattlesnake Ridge Water District, the city of Louisa, Kentucky and the city of Paintsville, Kentucky and the Lawrence County Judge/Executive having found it to be reasonably necessary that the relief sought in the Petition be granted and that the property described be annexed.

IT IS HEREBY ORDERED that the above referenced property be annexed and the same is added to the current boundaries of the Big Sandy Water District.

This the 19 day of Sept., 2000.

  
LAWRENCE COUNTY JUDGE/EXECUTIVE

420(B)

FOR Lawrence County, KY

P.S.C. KY No. \_\_\_\_\_

LAWRENCE COUNTY WATER DISTRICT

Sheet No. \_\_\_\_\_

Cancelling P.S.C. KY No. \_\_\_\_\_

Sheet No. \_\_\_\_\_

**CLASSIFICATION OF SERVICE**

**APPENDIX A**

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-121 DATED APRIL 23, 1997.

The following rates and charges are prescribed for the customers in the area served by Lawrence County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rates

First	2,000	Gallons	\$16.00	Minimum Bill
Next	3,000	Gallons	5.00	Per 1,000 Gal.
Next	5,000	Gallons	4.00	Per 1,000 Gal.
Next	10,000	Gallons	3.50	Per 1,000 Gal.
All over	20,000	Gallons	3.25	Per 1,000 Gal.

Connection Fee

5/8" X 3/4" Meter \$500

Larger than 5/8" X 3/4" Actual Cost of Installation  
PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

OCT 01 1997

PURSUANT TO 807 KAR 5.011, SECTION 9(1)

DATE OF ISSUE 10 01 97 DATE EFFECTIVE 10 01 97  
Month Day Year Month Day Year  
By Stacy O. Bell  
SECRETARY OF THE COMMISSION

ISSUED BY Joe A. Young Chairman Louisa, KY 41230  
Name of Officer Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No 97-121 dated 04-23-97.

FOR Lawrence County, KY

P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

LAWRENCE COUNTY WATER DISTRICT

Cancelling P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

RULES AND REGULATIONS

These Rules and Regulations govern the furnishing of water service by Lawrence County Water District hereinafter referred to as the District and apply to all service received from the District. No employee or individual Commissioner of the District is permitted to make an exception to these Rates, Rules, or Regulations. These Rules and Regulations are to be in effect so long as they are not in conflict with the Kentucky Public Service Commission's Rules and Regulations (807 KAR 5:001 - 5:076). The District is subject to all Rules and Regulations of the Kentucky Public Service Commission even though not Contained herein.

1. SCOPE

This Schedule of Rules and Regulations is a part of all contracts for receiving water service from the District, and applies to all service received from the District whether the service is based upon contract, agreement, signed application, or otherwise. A copy of this schedule, together with a copy of the District's Schedule of Rates and Charges shall be kept open to inspection at the office of the District. The Rules are promulgated under direction and authority granted pursuant to Chapter 5 of Kentucky Administrative Regulations (807 KAR 5). The aforesaid rules and regulations are hereby adopted and included the same as if herein written.

2. REVISIONS

These Rules and Regulations May be revised, amended supplemented or otherwise changed from time to time by either of the two (2) following methods:

- A. By order of the Kentucky Public Service Commission upon formal application by the District, and after hearing as provided by Commission Regulation set forth in PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

OCT 01 1997

DATE OF ISSUE 10 01 97 DATE EFFECTIVE 10 01 97  
PURSUANT TO 807 KAR 5:011.

ISSUED BY Joe A. Young Chairman, Louisa, KY 41230  
Name of Officer By: [Signature] Address  
SECRETARY OF THE COMMISSION

FOR Lawrence County, KY

P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

LAWRENCE COUNTY WATER DISTRICT

Cancelling P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

RULES AND REGULATIONS

B. By issuing and filing on at least twenty (20) days notice to the Kentucky Public Service Commission all proposed changes in the Rules and Regulations, as provided by Commission Regulations set for in 807 KAR 5:011.

3. CONFLICTS

In case of conflict between any provisions of any rate schedule and the schedule of rules and regulations, the rate schedule shall apply. Also, should the rules contained herein conflict with rules in effect under 807 KAR 5, the provisions of 807 KAR 5 shall take precedence over those contained herein.

4. APPLICATION FOR SERVICE

Any person, firm, agency or governmental entity within the current boundary of the District may request service. Applications for service must be in writing on a form approved by the District.

Each applicant for service shall be required to execute and sign the District's standard application for water service before service is supplied by the District. Under Kentucky Public Service Commission order, dated September 1, 1981, Case No. 8248, a 5/8" X 3/4" meter shall be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

5. NON-STANDARD SERVICE

Each prospective customer requiring a non-standard service (i.e., other than a 5/8" X 3/4" meter) shall present to the District sufficient justification for same. Insofar as prospective customer requirement may meet those non-standard service presently in effect by District same be applied

PUBLIC SERVICE COMMISSION  
OF KENTUCKY

DATE OF ISSUE	<u>10</u>	<u>01</u>	<u>97</u>	EFFECTIVE	<u>10</u>	<u>01</u>	<u>97</u>
	Month	Day	Year		Month	Day	Year
ISSUED BY	<u>Joe A. Young</u>			<u>OCT 01 1997</u>	<u>Louisa, KY 41230</u>		
	Name of Officer			Title	Address		

PURSUANT TO 807 KAR 5:011,  
SECTION 9 (1)

(4)

BY: Stephan D. Bell  
SECRETARY OF THE COMMISSION

FOR Lawrence County, Kentucky

P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

LAWRENCE COUNTY WATER DISTRICT

Cancelling P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

RULES AND REGULATIONS

6. POINT OF DELIVERY

The point of delivery is the point where the meter or vault is located on the customer's premises. All water lines, plumbing, and equipment beyond the meter shall be installed and maintained by the customer. The District reserves the right to determine the location of point of delivery with full regard to those wishes of the prospective customer.

7. CUSTOMER'S SERVICE LINE

All service lines beyond the metering point should be installed of material consisting of copper, galvanized, PVC or PE pipe with rating not less than 200 psi. The size of service line beyond the point of delivery should not be less than 3/4".

Should an applicant for service desire a higher pressure due to his location or need, he may make provision for an individual pressure booster system. The manner of connection, location cross-connection protection and type is subject to approval by the District. The District reserves the right to require discontinuance and disconnection should the private booster system have a detrimental effect on the District's system.

8. OWNERSHIP OF MAINS, SERVICES & APPURTENANCES

All mains, fire hydrants, valves, crossings and other appurtenances are and shall remain the property of the District, whether installed by the District or the customer.

All service lines from main to meter with appurtenances shall be and remain the property of the District, whether installed by the District or the customer.

			PUBLIC SERVICE COMMISSION				
DATE OF ISSUE	<u>10</u>	<u>01</u>	<u>97</u>	DATE EFFECTIVE	<u>10</u>	<u>01</u>	<u>97</u>
	Month	Day	Year	EFFECTIVE	Month	Day	Year
ISSUED BY	<u>Joe A. Young</u>			Chairman	<u>Louisa, KY 41230</u>		
	Name of Officer			Title	Address		

PURSUANT TO 807 KAR 5.011.  
SECTION 9(1)

BY: Stephan Bess  
SECRETARY OF THE COMMISSION

FOR Lawrence County, Kentucky

P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

LAWRENCE COUNTY WATER DISTRICT

Cancelling P.S.C. KY No. \_\_\_\_\_

\_\_\_\_\_ Sheet No. \_\_\_\_\_

RULES AND REGULATIONS

The customer shall, own and maintain his service line from meter and/or point of delivery as defined herein.

9. DISCONTINUANCE OF SERVICE BY DISTRICT

Water service may be discontinued by the District for any violation of any rule, regulation, or condition, and especially for any of the following reasons:  
(after proper notification)

- a. Misrepresentation in the application or contract as to the property or fixtures to be supplied or additional use to be made of water, with 10 days notice.
- b. Resale of water.
- c. Waste or misuse of waste due to improper or imperfect service pipes and/or failure to keep such pipes in a suitable state of repair.
- d. Tampering with meter, meter seal, service, or valves, or permitting such tampering by others, pursuant to Section 14(3)(g).
- e. Connection, cross-connection, or permitting the same, of any separate water supply to premises which receive water from the District.
- f. Non-payment of bills, pursuant to Section 14,(2).
- g. When a dangerous condition is found to exist on the customer's or applicant's premises, with reference to the continuation of water service, water service shall be cut off without notice or shall be refused, provided the District shall notify the customer or applicant immediately of the reasons for the discontinuance or refusal and the corrective action to be taken by the applicant or customer before notice can be restored.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

OCT 01 1997

DATE OF ISSUE	<u>10</u>	<u>01</u>	<u>97</u>	DATE EFFECTIVE	<u>10</u>	<u>01</u>	<u>97</u>
	Month	Day	Year	PURSUANT TO 807 KAR 6011	Month	Day	Year
ISSUED BY	<u>Joe A. Young</u>			Chairman	<u>Louisa, KY 41230</u>		
	Name of Officer			BY: <u>Shirley Bu</u>	Address		
				SECRETARY OF THE COMMISSION			

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY

REGISTERED



NUMBER  
R-1

**BIG SANDY WATER DISTRICT  
WATERWORKS REVENUE BOND, SERIES 2000  
INTEREST RATE: 4.50%**



PRINCIPAL AMOUNT  
\$495,000

REGISTERED

KNOW ALL MEN BY THESE PRESENTS: That the Big Sandy Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a water district created pursuant to Chapter 74 of the Kentucky Revised Statutes, for value received, hereby promises to pay to UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the Registered Owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

**FOUR HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$495,000)**

on the first day of January, in years and installments as follows:

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2001	\$5,500	2014	\$ 9,500
2002	5,500	2015	10,000
2003	6,000	2016	10,500
2004	6,000	2017	11,000
2005	6,500	2018	11,500
2006	6,500	2019	12,000
2007	7,000	2020	12,500
2008	7,500	2021	13,000
2009	7,500	2022	13,500
2010	8,000	2023	14,500
2011	8,500	2024	15,000
2012	8,500	2025	15,500
2013	9,500	2026	16,500
		2027	17,000
		2028	18,000
		2029	18,500
		2030	19,500
		2031	20,500
		2032	21,000
		2033	23,500
		2034	23,500
		2035	25,000
		2036	25,500
		2037	26,000

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal

and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the Registered Owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Bond Resolution"), to which Bond Resolution reference is hereby made for a description of the nature and extent of the security, thereby created, the rights and limitations of rights of the Registered Owner of this Bond, and the rights, obligations and duties of the District for the purpose of replacing and substituting this Bond for the outstanding Lawrence County Water District Waterworks Revenue Bonds, Series 1997, dated September 18, 1997 (the "L.C.W.D. Bonds"), in connection with the purchase by the District of the waterworks system of Lawrence County Water District (the "L.C.W.D. System").

**[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF]**

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Big Sandy Water District, by its Commission, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

**BIG SANDY WATER DISTRICT**

Attest:

Secretary

By:

Chairman





**Paul E. Patton, Governor**  
**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**  
  
**Thomas M. Dorman**  
**Executive Director**  
**Public Service Commission**

COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602-0615  
[www.psc.state.ky.us](http://www.psc.state.ky.us)  
(502) 564-3940  
Fax (502) 564-3460

**Martin J. Huelsmann**  
**Chairman**  
  
**Edward J. Holmes**  
**Vice Chairman**  
  
**Gary W. Gillis**  
**Commissioner**

April 18, 2001

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, Kentucky 41129

Re: Case No. 1999-481, First Reminder Letter

Dear Mr. McGlothlin:

The Commission entered the enclosed Final Order in this case on March 2, 2000. The Commission ordered that within 20 days of completion of the transfer of Lawrence District's assets, Big Sandy shall notify the Commission in writing of the transfers completion; file with the Commission revised tariff sheets reflecting the rates charged to customers previously served by Lawrence District; and file the journal entries used to record the purchase and identify the detailed plant accounts to which the assets are recorded. To date the Commission has not received this filing. Please make this filing referencing the case number 1999-481, not later than 15 days from the date of this letter.

If you have questions concerning this letter, please contact Jess Helton, of the Filings Division, at 502-564-3940, extension 278. Otherwise, please mail the required filing to Thomas M. Dorman, Executive Director, Public Service Commission, 211 Sower Blvd., Post Office Box 615, Frankfort, Kentucky 40602.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

Enclosure  
CC: Parties of Record



# Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

PARALEGAL  
MARY M. EMBRY

RECEIVED

OCT 5 2000

PUBLIC SERVICE  
COMMISSION

October 3, 2000

Mr. Thomas Dorman  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Joint Application of Lawrence County Water District and Big Sandy Water District  
Case No. 1999-481

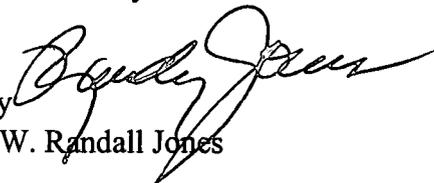
Dear Mr. Dorman:

In accordance with the Order of the Public Service Commission dated March 2, 2000, regarding Case No. 1999-481, we are filing herewith a copy of the Order of the Lawrence County Judge/Executive, dated September 19, 2000 expanding the territory of the Big Sandy Water District to include the territory of the Lawrence County Water District.

If you have any questions or need any additional information, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jlm  
Enclosures

cc: Distribution List

**DISTRIBUTION LIST**

Account No. 429.0000

**Re: Big Sandy Water District Waterworks Revenue Bonds, Series 2000, replacement  
of Lawrence County Water District Waterworks Revenue Bonds**

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336

Mr. Elwood Howe  
Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2076

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, Kentucky 41129

Phone: (606) 928-2075

Roger W. Hall, Esq.  
Hanbury, Williams, Hall & Latherow, P.S.C.  
P.O. Box 2008  
Ashland, Kentucky 41105-2008

Phone: (606) 329-1919  
Fax: (606) 325-4303

W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7525  
Fax: (502) 569-7555

BEFORE THE COUNTY JUDGE/EXECUTIVE  
LAWRENCE COUNTY, KENTUCKY

NO.

IN THE MATTER OF THE BIG SANDY WATER DISTRICT

ORDER

This matter having come on for hearing on 28 day <sup>of</sup> Nov at the regularly scheduled meeting of the Lawrence County Fiscal Court, pursuant to the Petition filed by the Board of Commissioners of the Big Sandy Water District seeking to annex all of the territory currently within the Lawrence County Water District, the remainder of Lawrence County not already served by Rattlesnake Ridge Water District, the city of Louisa, Kentucky and the city of Paintsville, Kentucky and the Lawrence County Judge/Executive having found it to be reasonably necessary that the relief sought in the Petition be granted and that the property described be annexed.

IT IS HEREBY ORDERED that the above referenced property be annexed and the same is added to the current boundaries of the Big Sandy Water District.

This the 19 day of sept., 2000.

David L. Compton  
LAWRENCE COUNTY JUDGE/EXECUTIVE



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-481  
LAWRENCE COUNTY WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on March 2, 2000.

See attached parties of record.

*Stephanie J. Bell*  
Secretary of the Commission

SB/sa  
Enclosure

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, KY. 40503 5477

Mrs. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, KY. 40351

Mr. Lafe Hinkle  
Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P. O. box 689  
Louisa, KY. 41230

Honorable Nelson T. Sparks  
Attorney at Law  
P. O. Box 8  
Louisa, KY. 41230

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, KY. 41129

Honorable Roger W. Hall  
Hanbury, Potter, Hall  
& Williams, P.S.C.  
P. O. Box 2008  
Ashland, KY. 41105 2008

Honorable W. Randall Jones  
Special Counsel for Lawrence & Big  
Sandy Water Districts  
RUBIN & HAYS  
First Trust Centre  
200 South Fifth Street  
Louisville, KY. 40202

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE COUNTY )  
WATER DISTRICT AND BIG SANDY WATER )  
DISTRICT FOR AUTHORIZATION AND APPROVAL )  
OF THE PROPOSED TRANSFER OF OWNERSHIP ) CASE NO. 99-481  
AND CONTROL OF ALL LAWRENCE COUNTY )  
WATER DISTRICT'S WATER SYSTEM PROPERTY )  
ASSETS AND FUNDS TO BIG SANDY WATER )  
SYSTEM )

ORDER

Lawrence County Water District ("Lawrence District") and Big Sandy Water District ("Big Sandy District") (collectively "the Joint Applicants") have jointly applied for approval of the proposed transfer of Lawrence District's assets to Big Sandy District.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Lawrence District is a water district, organized pursuant to KRS Chapter 74, that provides water service to approximately 244 customers in Lawrence County, Kentucky.

2. As of December 31, 1998, Lawrence District had total net utility plant of \$1,629,543.<sup>1</sup>

3. As of December 31, 1998, Lawrence District had total assets of \$1,715,669 and total liabilities of \$517,975.

---

<sup>1</sup> For information regarding Lawrence District's financial condition, see Report to the Public Service Commission: Financial Examination of Lawrence County Water District (submitted Oct. 5, 1999).

4. For the 1998 calendar year, Lawrence District had operating revenues of \$43,581 and operating expenses of \$81,753. It had net losses of \$52,571.<sup>2</sup>

5. Rural Development ("RD"), an agency of the U.S. Department of Agriculture, currently holds \$495,000 in outstanding Lawrence District Revenue Bonds.

6. Lawrence District acquires its water from the city of Louisa, Kentucky.

7. Big Sandy District has managed and operated Lawrence District's distribution system since June 1999.

8. Big Sandy District is a water district, organized pursuant to KRS Chapter 74, that provides water service to 2,502 customers in Boyd, Carter, and Lawrence counties, Kentucky.

9. Big Sandy District has existed since 1977.

10. As of December 31, 1999, Big Sandy District had total net utility plant of \$5,129,060.<sup>3</sup>

11. As of December 31, 1999, Big Sandy District had total assets of \$5,894,344 and total liabilities of \$2,902,355.

12. For the 1999 calendar year, Big Sandy District had operating revenues of \$1,144,428 and operating expenses of \$961,843. It had net income of \$12,874.

13. As of December 31, 1999, Big Sandy District employed 11 persons to operate and manage its water distribution system. Six of these employees are certified

---

<sup>2</sup> Lawrence District became operations on or about May 1, 1998. These amounts, therefore, do not reflect a full year of operations.

<sup>3</sup> For Big Sandy District's financial status, see Joint Applicants' Response to the Commission's Order of February 8, 2000.

by the Kentucky Board of Certification of Water Treatment Plant and Water Distribution System Operators, as Class II-D distribution system operators.

14. Big Sandy District acquires its supply of water from the city of Louisa, Kentucky and Kenova Water Company.

15. On November 1, 1999, the Joint Applicants and RD executed a contract for the sale and transfer of Lawrence District's assets. Under the terms of this contract, Lawrence District will transfer all of its assets to Big Sandy District, and Big Sandy District will assume all obligations evidenced by Lawrence District's outstanding Revenue Bonds.

16. Big Sandy District's acquisition of Lawrence District's system will not immediately require the hiring of additional employees.

17. Big Sandy District will assess to customers currently located in Lawrence District's territory the same rates that Lawrence District currently assesses.

18. RD has approved the proposed transfer of assets to Big Sandy District. Prior to completion of the proposed transfer, Big Sandy intends to issue bonds in an amount equal to the outstanding Lawrence District Revenue Bonds to retire those bonds. The terms of these new bonds will be the same as those of the outstanding Lawrence District Revenue Bonds.

19. Prior to completion of the transfer, Big Sandy District will petition the Lawrence County Judge/Executive to expand its current boundaries to include all areas that Lawrence District presently serves and all areas in Lawrence County, Kentucky that are not presently served by Rattlesnake Ridge Water District, the city of Paintsville and the city of Louisa.

20. Big Sandy District has the financial, technical, and managerial abilities to provide reasonable utility service to those persons that Lawrence District currently serves.

21. The proposed transfer is consistent with the General Assembly's finding that the reduction of the number of operating water districts in Kentucky is in the public interest, will eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public. See KRS 74.361(1).

22. The proposed transfer is in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed transfer of Lawrence District's assets is approved.
2. Within 10 days after the Lawrence County Judge/Executive expands Big Sandy District's boundaries pursuant to KRS 74.110, Big Sandy District shall file a copy of that Order with the Commission.
3. Within 20 days of completion of the transfer of Lawrence District's assets, Big Sandy District shall:
  - a. Notify the Commission in writing of the transfer's completion.
  - b. File with the Commission revised tariff sheets reflecting the rates charged to customers previously served by Lawrence District.
  - c. File the journal entries used to record the purchase and identify the detailed plant accounts to which the assets are recorded.

4. Lawrence District remains responsible for filing with the Commission the financial and statistical report required by Administrative Regulation 807 KAR 5:006, Section 3(1), for the 1998 and 1999 calendar years.

5. Nothing contained in this Order shall be construed as approval of Big Sandy District's issuance of evidences of indebtedness to RD to replace outstanding Lawrence District Revenue Bonds that RD currently holds.

Done at Frankfort, Kentucky, this 2nd day of March, 2000.

By the Commission

ATTEST:

  
Executive Director

# Rubin & Hays

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202-3236  
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

OF COUNSEL  
WM. CARL FUST

PARALEGAL  
MARY M. EMBRY

February 21, 2000

RECEIVED  
FEB 22 2000  
PUBLIC SERVICE  
COMMISSION

Mr. Martin J. Huelsmann  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Joint Application of Lawrence County Water District and Big Sandy Water District  
Case No. 1999-481

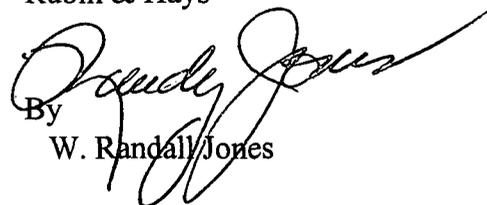
Dear Mr. Huelsmann:

In accordance with the Order of the Public Service Commission dated February 8, 2000, regarding Case No. 1999-481, we are filing herewith the original and 8 copies of the Response to Order.

If you have any questions or need any additional information, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:ilm  
Enclosures

cc: Distribution List

**DISTRIBUTION LIST**

Account No. 429.0000

**Re: Big Sandy Water District Acquisition of Lawrence County Water District**

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (606) 224-7336

Ms. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2921

Mr. Lafe Hinkle II, Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P.O. Box 689  
Louisa, Kentucky 41230

Phone: (606) 638-9461  
Fax: (606) 298-3511

Nelson T. Sparks, Esq.  
Attorney at Law  
P.O. Box 8  
Louisa, Kentucky 41230

Phone: (606) 638-4204  
Fax: (606) 638-4236

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, Kentucky 41129

Phone: (606) 928-2075

Roger W. Hall, Esq.  
Hanbury, Potter, Hall & Winans, P.S.C.  
P.O. Box 2008  
Ashland, Kentucky 41105-2008

Phone: (606) 329-1919  
Fax: (606) 325-4303

W. Randall Jones, Esq.  
Rubin & Hays  
First Trust Centre  
200 South Fifth Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7525  
Fax: (502) 569-7555

**BEFORE THE PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY**

RECEIVED

FEB 22 2000

PUBLIC SERVICE  
COMMISSION

In the Matter of:

**THE JOINT APPLICATION OF LAWRENCE )  
COUNTY WATER DISTRICT AND BIG SANDY )  
WATER DISTRICT FOR AUTHORIZATION AND )  
APPROVAL OF THE PROPOSED TRANSFER OF )  
OWNERSHIP AND CONTROL OF ALL OF )  
LAWRENCE COUNTY WATER DISTRICT'S )  
WATER SYSTEM PROPERTY ASSETS AND )  
FUNDS TO BIG SANDY WATER DISTRICT )**

Case No. 99-481

**RESPONSE TO ORDER OF FEBRUARY 8, 2000**

Comes, LAWRENCE COUNTY WATER DISTRICT, a water district of Lawrence County, Kentucky ("LCWD") and BIG SANDY WATER DISTRICT, a water district of Boyd, Carter and Lawrence Counties, Kentucky ("BSWD"), by Counsel, hereby submit to the Public Service Commission of Kentucky ("Commission") their responses to the requests made by such Commission in its Order dated February 8, 2000. Such responses are attached hereto in this bound volume with each item tabbed.

The name of the witness who is responsible for responding to questions relating to the information provided is: Mr. Robert McGlothlin, Superintendent, Big Sandy Water District, 18200 Kentucky Route 3, Catlettsburg, Kentucky 41129, telephone: (606) 928-2075.

## REQUEST #1

**Provide for Lawrence District for the calendar year ending December 31, 1999 the following:**

- (A) **Balance Sheet** - Previously submitted per attached letter of Mr. Robert McGlothlin, Superintendent, to Mr. Aaron Greenwell of the PSC.
- (B) **Income Statement** - Previously submitted per attached letter of Mr. Robert McGlothlin, Superintendent, to Mr. Aaron Greenwell of the PSC.
- (C) **Detailed Plant Schedule:**

One below ground pump station that contains 2-200 g.p.m. pumps located on Kentucky Route 3 south of Louisa, Kentucky. One welded steel tank, 100,000 gallon capacity located off Donithan Road and a repeater located midway between the tank and pumps to assist the telemetry signal between the two. Approximately 27 miles of six inch water lines, all south of Louisa, three master meters from Louisa. There were 244 customers on December 31, 1999, which were 236 residential and 8 commercial, church or school.

# BIG SANDY WATER DISTRICT

18200 Ky. Rt. #3  
Catlettsburg, Kentucky 41129  
(606) 928-2075  
Fax (606) 928-0254

February 11, 2000

AARON GREENWELL  
PUBLIC SERVICE COMMISSION  
211 SOWER BLVD  
PO BOX 615  
FRANKFORT KY 40602

RE: Lawrence County Water District Annual Report

Dear Mr. Greenwell,

Enclosed are the two blank annual reports and cover letter that were mailed to Wayne Jones and delivered by him to us on the 28th of January. We also are enclosing the green binder of expenses from June through December 1999 and the yellow binder income statement, (with the break down of billing, etc.). We did refund the sales tax and paid the school system their utility tax.

The inventory listed on the inventory sheet was picked up at Fred Roberts residence in September and moved to the Big Sandy Water District storage building here.

There was a very high water loss for November, apparently caused by fire departments fighting forest fires. And finally I am enclosing a copy of question number 14 of the order dated February 8, 2000, part of the Application for Transfer, Case #99-481. As I have stated by phone, if no annual report was filed for 1998, I don't feel it is Big Sandy Water District's responsibility to file one for 1999. I hope we have supplied you with enough information to complete the 1999 Annual Report.

At this point in time maybe a deviation or waiver for 1998 Annual Report is in order.

If you have any questions, let us know.

Sincerely,



Robert S McGlothlin  
Superintendent

BM/rj



**REQUEST #2**

**Provide for Big Sandy District for the calendar year ending December 31, 1999 the following:**

- (A) **Balance Sheet - See Attached**
- (B) **Income Statement - See Attached**

AS OF 12/31/99

AS OF 12/31/98

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	7,201,793.99	7,143,701.16
105 CONSTR. WORK IN PROGRESS	.00	.00
<b>TOTAL UTILITY PLANT</b>	<b>\$ 7,201,793.99</b>	<b>\$ 7,143,701.16</b>
ACCUM PROV FOR DEPR & AMORT	2,072,733.48	1,868,783.99
<b>NET UTILITY PLANT</b>	<b>\$ 5,129,060.51</b>	<b>\$ 5,274,917.17</b>

OTHER PROPERTY & INVESTMENTS

125 OTHER INVESTMENTS	.00	.00
<b>TOTAL</b>	<b>\$ .00</b>	<b>\$ .00</b>

CURRENT & ACCRUED ASSETS

131 CASH	206,593.88	191,920.48
ESCRW FUNDS	207,305.51	198,930.53
NATL CITY-BUILDING F 06-124-7	.00	.00
CLASSIC BANK-BUILDING FUND	101,923.90	57,682.66
132-CD-CHARTER ONE FINANCIAL	75,000.00	.00
135 TREASURY NOTE	.00	64,000.00
141 CUSTOMER ACCTS RECEIVABLE	104,837.08	98,005.65
LCWD-ACCTS RECEIVABLE	.00	.00
142- ACCTD REV-LAWRENCE CO WD	.00	.00
142 OTHER ACCOUNTS RECEIVABLE (528.76)		788.78
143 ACCUM PROV FOR UNCDLL ACCT	.00	326.87
151 GENERAL FUND-MATERIAL&SUP	60,803.51	47,790.63
162 PREPAYMENTS	9,348.30	8,094.31
<b>TOTAL</b>	<b>\$ 765,283.42</b>	<b>\$ 669,886.17</b>

DEFERRED DEBITS

MISC DEFERED DEBTS & EXPENSES	.00	.00
182 EXTRAORD. PROP. LOSSES	.00	.00
186 MISC DEFERRED DEBITS	.00	.00
190 ACCUM DEFERRED INCOME TAX	.00	.00
<b>TOTAL</b>	<b>\$ .00</b>	<b>\$ .00</b>

<b>TOT. ASSET &amp; OTHER DEBITS</b>	<b>\$ 5,894,343.93</b>	<b>\$ 5,931,803.34</b>
--------------------------------------	------------------------	------------------------

AS OF 12/31/99

AS OF 12/31/98

LIAB. & OTHER CREDITS

EQUITY CAPITAL

PROPRIETY INTEREST

215 UNAPPRO RETAINED EARNINGS	(233,954.40)	(233,954.40)
ESCROW FUNDS	(24,120.57)	(15,745.59)

TOTAL PAID IN CAPITAL	\$ (209,833.83)	\$ (218,208.81)
-----------------------	-----------------	-----------------

RETAINED EARNINGS

BALANCE TRANS. FROM INCOME	\$ 12,874.29	\$ (46,127.40)
APPROP. OF RETAINED EARNING	.00	.00
ADJ. TO RETAINED EARNINGS	.00	.00

TOTAL RETAINED EARNINGS	\$ 12,874.29	\$ (46,127.40)
-------------------------	--------------	----------------

TOTAL EQUITY	\$ (196,959.54)	\$ (264,336.21)
--------------	-----------------	-----------------

LIABILITIES

LONG TERM DEBT

221 NOTES P-KY INFRASTRUCTURE	1,135,458.34	1,166,987.45
223 ADVAN. FROM ASSOC. COMP.	.00	.00
224 OTHER LONG-TERM DEBT.	1,720,000.00	1,739,500.00

TOTAL	\$ 2,855,458.34	\$ 2,906,487.45
-------	-----------------	-----------------

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	20,155.60	23,280.84
232 LOAN PAYABLE-III NATL-CONS	.00	.00
233 ACCTS PAYABLE TO ASSO COMP	.00	.00
FMHA GRANT-NEW CONSTRUCTION	330,000.00	330,000.00
234 NOTES PAYABLE TO ASSO COMP	.00	.00
235 CUSTOMER DEPOSITS	42,200.00	39,900.00
236 TAXES ACCRUED-PAYROLL	.00	.00
STATE SALES TAX PAYABLE	.00	.00
SCHOOL UTILITIES TAXES PAYABLE	.00	.00
237-1 INSU PAY-MUTUAL OF OMAHA	.00	.00
EMPLOYEES PENSION PAYABLE	.00	.00
239 FEDERAL GRANT-FMHA	475,000.00	475,000.00
FEDERAL GRANT-FMHA	700,000.00	700,000.00
FEDERAL GRANT-ARC	1,085,000.00	1,085,000.00
STATE GRANT-EAB	50,000.00	50,000.00
STATE GRANT-GENERAL	200,000.00	300,000.00

TOTAL	\$ 2,902,355.60	\$ 2,903,180.84
-------	-----------------	-----------------

DEFERRED CREDITS

252-TAP FEES-CUSTOMERS	592,189.00	592,189.00
------------------------	------------	------------

AS OF 12/31/99

AS OF 12/31/98

252-1 TAP FEES-CONT M-NEW CONS	110,625.00	
253 GENERAL FUND	182,019.89	
RESERVED SURPLUS	.00	
	<hr/>	
TOTAL	\$	884,833.89

110,625.00	
106,538.05	
.00	
<hr/>	
\$	809,352.05

OPERATING RESERVES

TOTAL	\$	.00
-------	----	-----

\$	.00
----	-----

CONTRIBUTIONS IN AID OF CONST.

271 CONT. IN AID OF CONSTRUCT.	(551,344.36)	
271-1 CONT. IN AID OF CONST.	.00	
	<hr/>	
TOTAL	\$	(551,344.36)

(469,008.19)	
.00	
<hr/>	
\$	(469,008.19)

ACCUMULATED DEFERRED INC TAX

TOTAL	\$	.00
-------	----	-----

\$	.00
----	-----

TOTAL LIAB. & OTH. CREDITS	\$	5,894,343.93
	<hr/>	

\$	5,985,675.94
<hr/>	

TERMINAL NUMBER: A

RUN DATE: 01/26/00 BIG SANDY WATER DISTRICT

PAGE 1

FOR THE PERIOD 12/01/99 TO 12/31/99

INCOME STATEMENT

	CURRENT-PERIOD AMOUNT	YEAR-TO-DATE AMOUNT	SAME-PERIOD-LAST-YR AMOUNT	YEAR-TO-DATE-LAST-YR AMOUNT
--	--------------------------	------------------------	-------------------------------	--------------------------------

UTILITY OPERATING INCOME

OPERATING REVENUES:

UNMETERED WATER REVENUE	.00	.00	.00	.00
TAP FEE REVENUE-NEW LINES	.00	.00	.00	.00
WATER TAP FEE REVENUE	(5,400.00)	62,100.00	3,725.00	70,900.00
METERED WATER REVENUE	38,091.31	1,036,130.40	79,479.70	927,996.33
OTHER WATER REVENUES	20,792.51	32,228.92	2,801.45	17,964.59
METER TESTING & REPAIRS	.00	.00	.00	.00
475-1 COMMUNITY TRUST BK-OPERA	36.10	373.05	26.16	478.07
475-2 INTEREST-NATL CITY-B&S F	300.89	2,170.17	259.67	2,155.01
475-3 INTEREST-NATL CITY-DEP F	186.89	1,991.64	150.33	1,482.24
475-4 INTEREST-III NATL-MW CON	.00	.00	.00	.00
475-5 INTEREST NATL CITY-REV	73.18	840.08	45.70	732.55
475-6 INTEREST-NATL CITY-CUS D	78.28	891.60	72.85	952.11
475-7 NATL CITY-US CD	431.51	5,437.40	.00	4,560.00
475-8 INTEREST-NATL CITY BLDG	246.98	2,264.77	139.77	1,235.71

TOTAL OPERATING REVENUES \$	53,837.65	\$ 1,144,428.02	\$ 96,700.63	\$ 1,028,456.61
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OPERATING EXPENSES:

SOURCE OF SUPPLY / OPERATIONS	11,181.21	224,951.55	16,856.75	216,023.38
SOURCE OF SUPPLY EXP/MAINT	.00	.00	.00	.00
WATER TREATMENT EXP/OPERATIONS	.00	.00	.00	.00
WATER TREATMENT EXP /MAINTEN	.00	.00	.00	.00
TRANS & DIST EXP /OPERATIONS	19,545.50	230,427.89	19,994.02	217,579.09
TRANS & DIST EXPENSES /MAINT	3,905.94	48,226.37	15,498.50	75,563.91
CUSTOMER ACCOUNTS EXPENSE	4,036.98	8,734.95	4,617.13	8,188.99
ADMIN & GENERAL EXPENSES	(12,273.78)	238,049.02	(15,503.76)	196,382.36
DEPRECIATION EXPENSES	190,310.80	190,310.80	183,574.23	183,574.23
AMORTIZATION EXPENSES	.00	.00	.00	.00
TAX OTHER THAN INCOME	2,150.72	21,142.58	1,345.19	15,774.75

TOTAL OPERATING EXPENSES \$	219,857.37	\$ 961,843.17	\$ 226,382.07	\$ 903,086.74
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OPERATING INCOME	\$ (165,019.72)	\$ 182,584.85	\$ (139,681.44)	\$ 125,369.87
------------------	-----------------	---------------	-----------------	---------------

OTHER OPER. INCOME:

TOTAL UTIL. OPER. INCOME	\$ (165,019.72)	\$ 182,584.86	\$ (139,681.44)	\$ 125,369.87
--------------------------	-----------------	---------------	-----------------	---------------

CURRENT-PERIOD  
 AMOUNT  
 OTHER INCOME & DEDUCTIONS

YEAR-TO-DATE  
 AMOUNT

SAME-PERIOD-LAST-YR  
 AMOUNT

YEAR-TO-DATE-LAST-YR  
 AMOUNT

OTHER INCOME:

INTEREST & DIVIDEND INCOME	.00	.00	.00	.00
	-----	-----	-----	-----
TOTAL OTHER INCOME	\$ .00	\$ .00	\$ .00	\$ .00

OTHER INCOME DEDUCTIONS:

TOTAL OTHER INC. DEDUCTIONS	.00	.00	.00	.00
	-----	-----	-----	-----
TOTAL OTH. INC. & DEDUCT.	\$ .00	\$ .00	\$ .00	\$ .00

TAX APPLIC. TO OTH. INC. & DEDUCT

TOTAL TAX ON OTH. IN. & DEDU	.00	.00	.00	.00
	-----	-----	-----	-----
NET OTH. INC. & DEDUCTIONS	\$ .00	\$ .00	\$ .00	\$ .00

INTEREST CHARGES

INTEREST EXPENSE	80,589.85	169,710.57	85,481.56	171,497.27
	-----	-----	-----	-----
TOTAL INTEREST CHARGES	\$ 80,589.85	\$ 169,710.57	\$ 85,481.56	\$ 171,497.27
	-----	-----	-----	-----
INCOME BEFORE EXTR ITEMS	\$ (80,589.85)	\$ (169,710.57)	\$ (85,481.56)	\$ (171,497.27)

EXTRAORDINARY ITEMS

NET INCOME	\$ (245,509.57)	\$ 12,874.29	\$ (225,163.00)	\$ (45,127.40)
	=====	=====	=====	=====

**REQUEST #3**

(A) **State the number of persons that Big Sandy District employs: 11**

(B) **For each person employed, identify that person's position and responsibilities:**

<u>NAME</u>	<u>POSITION</u>	<u>RESPONSIBILITIES</u>	<u>YEARS OF SERVICE</u>
Robert McGlothlin	Superintendent	Manages and coordinates	15
Bill Brooks	Maintenance Supervisor	Maintain all facilities oversee new construction	14
Jimmy Blanton	Operator Supervisor	MOR, samples, purchase supplies	11
Joan Burton	Bookkeeper (retiring)	Bookkeeping, banking and financial records	11
Mary Bowling	Office Manager	Billing, meter history and scheduling	10
Gary Sperry	Meter Reader	Reads meters, assists maintenance and operations	10
Roxanne Jividen	Clerk	Receiving monies and office secretary	6
Bryan Brown	Meter Reader	Reads meters, assists maintenance and operations	6
Al Fannin	Meter Reader	Reads meters, assists maintenance and operations	3
James Young	Laborer	Assists with maintenance	1
Teresa Brown	Bookkeeper (in training)	Assume bookkeeping duties	3 mo.



**REQUEST #4**

**Identify each certified water plant operator that Big Sandy District currently employs and state the level of his or her certification:**

Robert McGlothlin	Class II-D Operator Certification
Bill Brooks	Class II-D Operator Certification
Jimmy Blanton	Class II-D Operator Certification
Gary Sperry	Class II-D Operator Certification
Bryan Brown	Class II-D Operator Certification
Al Fannin	Class II-D Operator Certification

**REQUEST #5**

- (1) (A) **Does Lawrence District currently have any employees? - No**
- (2) **Does Big Sandy District intend to retain these employees after the transfer of assets is completed? - Not applicable**

**REQUEST #6**

- (A) **Will the acquisition of Lawrence District's assets require Big Sandy District to hire additional employees?** - No, not at the present time. Big Sandy District has given excellent service to Lawrence District's customers since June, 1999 with Big Sandy District's present employees.
- (B) **If yes, state the number of employees who must be hired and their job position** - After another water line extension that is being designed to add another 250 customers, Big Sandy District may have to add one additional employee.



**REQUEST #7**

- (A) **State the current amount of outstanding Lawrence District's Bonds that Rural Development holds - \$495,000**
- (B) **Provide a schedule for the principal and interest payments for the outstanding Lawrence District Bonds - See attached**

**BORROWER NAME:** LAWRENCE COUNTY  
**INTEREST RATE:** 4.5  
**PRINCIPAL:** 500,000  
 July 22, 1996

year	period	number	payment	interest	principal	balance
1997	1	1	22,500.00	22,500.00	0	500,000
1998	1	2	22,500.00	22,500.00	0	500,000
1999	1	3	27,500.00	22,500.00	5,000	495,000
2000	1	4	27,775.00	22,275.00	5,500	489,500
2001	1	5	27,527.50	22,027.50	5,500	484,000
2002	1	6	27,780.00	21,780.00	6,000	478,000
2003	1	7	27,510.00	21,510.00	6,000	472,000
2004	1	8	27,740.00	21,240.00	6,500	465,500
2005	1	9	27,447.50	20,947.50	6,500	459,000
2006	1	10	27,655.00	20,655.00	7,000	452,000
2007	1	11	27,840.00	20,340.00	7,500	444,500
2008	1	12	27,500.50	20,000.50	7,500	437,000
2009	1	13	27,650.00	19,660.00	8,000	429,000
2010	1	14	27,805.00	19,305.00	8,500	420,500
2011	1	15	27,422.50	18,922.50	8,500	412,000
2012	1	16	28,040.00	18,540.00	9,500	402,500
2013	1	17	27,612.50	18,112.50	9,500	393,000
2014	1	18	27,685.00	17,685.00	10,000	383,000
2015	1	19	27,735.00	17,235.00	10,500	372,500
2016	1	20	27,762.50	16,762.50	11,000	361,500
2017	1	21	27,767.50	16,267.50	11,500	350,000
2018	1	22	27,750.00	15,750.00	12,000	338,000
2019	1	23	27,710.00	15,210.00	12,500	325,500
2020	1	24	27,647.50	14,647.50	13,000	312,500
2021	1	25	27,562.50	14,062.50	13,500	299,000
2022	1	26	27,955.00	13,455.00	14,500	284,500
2023	1	27	27,802.50	12,802.50	15,000	269,500
2024	1	28	27,627.50	12,127.50	15,500	254,000
2025	1	29	27,930.00	11,430.00	16,500	237,500
2026	1	30	27,687.50	10,687.50	17,000	220,500
2027	1	31	27,922.50	9,922.50	18,000	202,500
2028	1	32	27,612.50	9,112.50	18,500	184,000
2029	1	33	27,780.00	8,280.00	19,500	164,500
2030	1	34	27,902.50	7,402.50	20,500	144,000
2031	1	35	27,480.00	6,480.00	21,000	123,000
2032	1	36	28,535.00	5,535.00	23,000	100,000
2033	1	37	28,000.00	4,500.00	23,500	76,500
2034	1	38	28,442.50	3,442.50	25,000	51,500
2035	1	39	27,817.50	2,317.50	25,500	26,000
2036	1	40	27,170.00	1,170.00	26,000	0

500,000



**REQUEST #8**

(A) **As of the date of this Order, have Rural Development and Big Sandy District executed an Assumption Agreement? - No**

(B) **If no,**

**(a) State when Big Sandy District expects to execute an Assumption Agreement - Big Sandy District is in the process of filing an Application to issue new Bonds that will be substituted for and replace the Lawrence District Bonds.**

**(b) Identify all payment terms in the Assumption Agreement, if any, that differ from those contained in Lawrence District's Bond Ordinances and Bond Agreements - The payments terms on Big Sandy District's new Bonds will be identical to those in Lawrence District's Bonds.**



**REQUEST #9**

(A) **Does Big Sandy District intend to apply for Commission authorization to enter into any Assumption Agreement? - See the response to Request #8**



**REQUEST #10**

- (A) **Will Lawrence District be dissolved upon the transfer of its assets to Big Sandy District?** - No, according to the Lawrence District representative, Mr. Lafe Hinkle.
- (B) **If no,**
- (1) **Describe the functions that Lawrence District will perform - strictly advisory**
  - (2) **Will the existing boundaries of Lawrence District be changed to exclude the territory that is currently served by water distribution facilities that will be transferred to Big Sandy District?** - Yes
  - (3) **What portions of Lawrence County, Kentucky will continue to be within Lawrence District's territory?** - None



**REQUEST #11**

- (A) **Do Big Sandy District's territorial boundaries already include portions of Lawrence County, Kentucky? - Yes**
- (B) **If Big Sandy District's territorial boundaries already include portions of Lawrence County, Kentucky, has Big Sandy District petitioned the Lawrence County Judge/Executive to expand its current boundaries to include the area that Lawrence District's water distribution facilities currently serve? - No - Big Sandy District plans to petition the Lawrence County Judge/Executive to change the boundaries as this transfer is approved.**
- (C) **If Big Sandy District's territorial boundaries do not already include portions of Lawrence County, Kentucky, what actions will be taken to obtain authority for Big Sandy District to expand its territory into Lawrence County, Kentucky? - The annexation Petition will ask that all territory in Lawrence County, Kentucky not presently served by Big Sandy District, Rattlesnake Ridge Water District, the City of Paintsville and the City of Louisa, be included in the new territory of Big Sandy District.**

**REQUEST #12**

**(A) Does the proposed transfer of assets include all assets that Lawrence District currently holds? - Yes**



**REQUEST #13**

- (A) **Reconcile the Funds identified in the Contract for Sale and Transfer with the bank accounts noted in findings of the financial examination** - The Bond Resolution of Lawrence District provided that a Revenue Fund, Sinking Fund, Operation and Maintenance Fund and Depreciation Fund be established to provide a flow of revenues. Obviously, Lawrence District has not complied with the terms of the Bond Resolution and has merely established three general accounts.
- (B) **Will the amounts contained in the three bank accounts be transferred to Big Sandy District?** - Yes



**REQUEST #14**

- (A) **Does Lawrence District intend to file an Annual Report of its operation for 1998?** - See attached letter of Mr. Robert McGlothlin
- (B) **Does Lawrence District intend to file an Annual Report of its operations for 1999?** - See attached letter of Mr. Robert McGlothlin

# BIG SANDY WATER DISTRICT

18200 Ky. Rt. #3  
Catlettsburg, Kentucky 41129  
(606) 928-2075  
Fax (606) 928-0254

February 11, 2000

AARON GREENWELL  
PUBLIC SERVICE COMMISSION  
211 SOWER BLVD  
PO BOX 615  
FRANKFORT KY 40602

RE: Lawrence County Water District Annual Report

Dear Mr. Greenwell,

Enclosed are the two blank annual reports and cover letter that were mailed to Wayne Jones and delivered by him to us on the 28th of January. We also are enclosing the green binder of expenses from June through December 1999 and the yellow binder income statement, (with the break down of billing, etc.). We did refund the sales tax and paid the school system their utility tax.

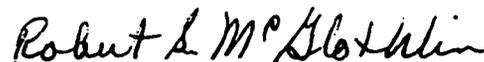
The inventory listed on the inventory sheet was picked up at Fred Roberts residence in September and moved to the Big Sandy Water District storage building here.

There was a very high water loss for November, apparently caused by fire departments fighting forest fires. And finally I am enclosing a copy of question number 14 of the order dated February 8, 2000, part of the Application for Transfer, Case #99-481. As I have stated by phone, if no annual report was filed for 1998, I don't feel it is Big Sandy Water District's responsibility to file one for 1999. I hope we have supplied you with enough information to complete the 1999 Annual Report.

At this point in time maybe a deviation or waiver for 1998 Annual Report is in order.

If you have any questions, let us know.

Sincerely,



Robert S McGlothlin  
Superintendent



CERTIFICATION

The undersigned hereby certifies that a true and correct copy of the foregoing Response was duly mailed by first class mail, postage prepaid, to each of the parties of record, on this 21<sup>st</sup> day of February, 2000.

RUBIN & HAYS

By *W. Randall Jones*  
W. Randall Jones  
200 South Fifth Street  
Louisville, Kentucky 40202  
(502) 569-7525

Special Counsel for Lawrence County Water  
District and Big Sandy Water District



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

February 8, 2000

To: All parties of record

RE: Case No. 1999-481

We enclose one attested copy of the Commission's Order in  
the above case.

sincerely,  
*Stephanie D. Bell*

Stephanie Bell  
Secretary of the Commission

SB/sa  
Enclosure

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, KY 40503 5477

Mrs. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, KY 40351

Mr. Lafe Hinkle  
Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P. O. box 689  
Louisa, KY 41230

Honorable Nelson T. Sparks  
Attorney at Law  
P. O. Box 8  
Louisa, KY 41230

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, KY 41129

Honorable Roger W. Hall  
Hanbury, Potter, Hall  
& Williams, P.S.C.  
P. O. Box 2008  
Ashland, KY 41105 2008

Honorable W. Randall Jones  
Special Counsel for Lawrence & Big  
Sandy Water Districts  
RUBIN & HAYS  
First Trust Centre  
200 South Fifth Street  
Louisville, KY 40202

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE COUNTY )  
WATER DISTRICT AND BIG SANDY WATER )  
DISTRICT FOR AUTHORIZATION AND APPROVAL )  
OF THE PROPOSED TRANSFER OF OWNERSHIP ) CASE NO. 99-481  
AND CONTROL OF ALL LAWRENCE COUNTY WATE )  
DISTRICT'S WATE SYSTEM PROPERTY ASSETS )  
AND FUNDS TO BIG SANDY WATER SYSTEM )

ORDER

IT IS ORDERED that Lawrence County Water District ("Lawrence District") and Big Sandy Water District ("Big Sandy District") (collectively "the Applicants") shall file the original and 8 copies of the following information with the Commission within 14 days of this Order, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Provide for Lawrence District for the calendar year ending December 31, 1999

- a. Balance sheet.
  - b. Income Statement.
  - c. Detailed plant schedule.
2. Provide for Big Sandy District for the calendar year ending December 31, 1999
- a. Balance sheet.
  - b. Income Statement.
3. a. State the number of persons that Big Sandy District employs.
- b. For each person employed, identify that person's position and responsibilities.
4. Identify each certified water plant operator that Big Sandy District currently employs and state the level of his or her certification.
5. a. Does Lawrence District currently have any employees?
- b. If yes,
- (1) State for each employee
    - (a) His name.
    - (b) His job title.
    - (c) His job responsibilities.
  - (2) Does Big Sandy District intend to retain these employees after the transfer of assets is completed?
6. a. Will the acquisition of Lawrence District's assets require Big Sandy District to hire additional employees?

b. If yes, state the number of employees who must be hired and their job position.

7. a. State the current amount of outstanding Lawrence District Bonds that Rural Development holds.

b. Provide a schedule for the principal and interest payments for the outstanding Lawrence District Bonds.

8. a. As of the date of this Order, have Rural Development and Big Sandy District executed an Assumption Agreement?

b. (1) If yes, provide a copy of the Assumption Agreement.

(2) If no,

(a) State when Big Sandy Districts expects to execute an Assumption Agreement.

(b) Identify all payment terms in the Assumption Agreement, if any, that differ from those contained in Lawrence District's bond ordinances and bond agreements.

9. a. Does Big Sandy District intend to apply for Commission authorization to enter any Assumption Agreement?

b. (1) If yes, when does Big Sandy District expect to make such application?

(2) If no, state why KRS 278.300(1) does not require Commission approval of the Assumption Agreement.

10. a. Will Lawrence District be dissolved upon the transfer of its assets to Big Sandy District?

b. If no,

(1) Describe the functions that Lawrence District will perform.

(2) Will the existing boundaries of Lawrence District be changed to exclude the territory that is currently served by water distribution facilities that will be transferred to Big Sandy District?

(3) What portions of Lawrence County, Kentucky will continue to be within Lawrence District's territory?

11. a. Do Big Sandy District's territorial boundaries already include portions of Lawrence County, Kentucky?

b. If Big Sandy District's territorial boundaries already include portions of Lawrence County, Kentucky, has Big Sandy District petitioned the Lawrence County Judge/Executive to expand its current boundaries to include the area that Lawrence District's water distribution facilities currently serve? If no, when will such petition be filed?

c. If Big Sandy District's territorial boundaries do not already include portions of Lawrence County, Kentucky, what actions will be taken to obtain authority for Big Sandy District to expand its territory into Lawrence County, Kentucky?

12. a. Does the proposed transfer of assets include all assets that Lawrence District currently holds?

b. If no, identify those assets that Lawrence District will retain after the proposed transfer is completed.

13. Refer to Applicants' Application, Exhibit A at 6 and Appendix A of this Order. Section 301(4) of the "Contract for Sale and Transfer" requires Lawrence District

to deliver "all sums as of the Closing Date accumulated and held in LCWD's Revenue Fund, Sinking Fund, Operation and Maintenance Reserve Fund and Depreciation Fund." The findings of the financial examination that Commission Staff conducted in 1999 noted three bank accounts: Operating, Phase One, and Phase Two.

a. Reconcile the Funds identified in the "Contract for Sale and Transfer" with the bank accounts noted in findings of the financial examination.

b. Will all amounts contained in the three bank accounts be transferred to Big Sandy District? If no, state the amount of each account that will not be transferred and explain why.

14. Commission records do not indicate that Lawrence District has submitted an annual report of its operations for 1998 as required by KRS 278.230 and Administrative Regulation 807 KAR 5:006, Section 3.

a. (1) Does Lawrence District intend to file an annual report of its operations for 1998?

(2) If yes, state when Lawrence District intends to file such report.

(3) If no, why not?

b. (1) Does Lawrence District intend to file an annual report of its operations for 1999?

(2) If no, why not?

Done at Frankfort, Kentucky, this 8th day of February, 2000.

By the Commission

ATTEST:

  
Executive Director

**APPENDIX A**

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NO. 99-481 DATED FEBRUARY 8, 2000**

## REPORT TO THE PUBLIC SERVICE COMMISSION

### FINANCIAL EXAMINATION OF LAWRENCE COUNTY WATER DISTRICT

#### Introduction

Lawrence County Water District ("Lawrence County") began operations in 1998 and serves approximately 230 residential and commercial customers in Lawrence County, Kentucky. The project under which the district's current system was constructed is referred to as Phase One. The district has collected tap-on fees for a second project referred to as Phase Two.

#### Scope

In May 1999 Lawrence County's chairman, Lafe Hinkle, contacted Financial Analysis Division Director, Aaron Greenwell, and requested a financial examination of the district. Mr. Hinkle stated that Lawrence County was considering a transfer of its system to Big Sandy Water District ("Big Sandy") and Big Sandy had requested information on its financial condition. Big Sandy began operating Lawrence County in May 1999. On June 14-16, 1999 Beverly Davis and Chris Whelan of the Commission's Financial Audit Branch went to Lawrence County's office in Louisa, Kentucky to begin the examination which covered the district's initial operations through May 31, 1999. The first activity for Phase One began in 1995; therefore, the years for which staff has compiled financial statements are the years ended December 31, 1995; 1996; 1997; 1998; and the period January 1, 1999 through May 31, 1999. These financial statements are attached as Appendices 1 - 5 to this report. These financial statements were compiled for regulatory reporting purposes for the use of the Public Service

Commission. The financial statements do not include a statement of cash flows or disclosures both of which are required by generally accepted accounting principles. In addition to the financial records, the examination consisted of reviewing compliance with the utility's tariff on file with the Commission and compliance with the uniform system of accounts and certain rules and regulations.

#### Accounting and Recordkeeping

The district's accounting records and procedures are subject to the requirements established by the Uniform System of Accounts for Class C Water Districts and Associations ("USoA"), as well as those prescribed by the Kentucky Public Service Commission. The district is new and does not have an established accounting and recordkeeping system. The records were not kept in an orderly fashion and related information was not kept together. In addition, the district did not file a 1998 annual report, its first year of operation. Staff recommends that the following recordkeeping practices be implemented by the district.

1. Plant Records. It is imperative that the costs of plant assets be effectively controlled and accurately accounted for because of the importance of these costs in determining rates. It is recommended that a subsidiary plant ledger be maintained with the accounting records to contain a card or sheet for each unit of property, showing details such as description, location, cost, vendor, date of purchase or installation, estimated salvage value, rate and method of depreciation, and depreciation accumulated to date.

2. Invoices. The utility is advised to keep all invoices in an orderly fashion, either by vendor or month.

3. Customer Deposits. The district should maintain a card or sheet for each customer from whom a deposit is received indicating the name and address of the depositor, the service address, the date, and amount of deposit. Any interest paid or credited to the customer should be noted on the card/sheet. In addition, the date and amount of the refund of the deposit, if applicable, should be noted.

4. Interest on Customer Deposits. The district is reminded that interest must be paid on customer deposits in accordance with Kentucky Revised Statute 278.460 and Kentucky Administrative Regulation 5:006 Section 7 (6). The regulation provides that interest be paid on customer deposits annually and the statute states that "[n]o water district ...shall pay interest that exceeds the rate it receives in interest, nor shall the interest payable to the customer at any time exceed six percent..."

5. Cash. Lawrence County should keep a cash receipts and cash disbursements journal and perform monthly bank reconciliations for all bank accounts.

#### Laws and Rules - Deficiencies

The district's accounting records and procedures are subject to laws as provided by the Kentucky Revised Statutes, to rules as established by the Kentucky Administrative Regulations, and to the Federal Internal Revenue Code. The examination disclosed the following deviations from laws and rules:

Sales and School Tax. Lawrence County erroneously billed residential customers for sales tax from its initial billing (June 1998) through March 1999. In addition, no sales or school taxes collected were remitted to the proper authorities. Lawrence County is advised to refund to its residential customers the amount of sales

tax collected from each, to remit all commercial sales tax to the Revenue Cabinet, and to remit all school taxes collected to the Lawrence County School District.

Areas of Concern

1. Past Due Accounts Receivable. At May 31, 1999 Lawrence County's past due accounts receivable were equivalent to one-half of the monthly billing. This amount is excessive given the young age of the system. The utility is advised to adhere strictly to cut-off procedures. In addition, if the utility enters into payment agreements with customers and the customers violate the agreements, the utility should discontinue service to those customers until the entire past due amount is paid.

2. Line Loss. Line loss for 1999 through May was calculated at 37%. This is extremely high for a new system. In addition, the utility incurred significant repair expenses in 1998 that should not have been necessary for a new system. It should be noted that Bob McGlothlin, Superintendent of Big Sandy, advised staff that Lawrence County's line loss for July 1999 was between 15 and 20%. Lawrence County is advised to monitor its line loss closely and if line loss is excessive to consult Rural Development, the project engineers, and the project construction company to determine reasons for line loss and responsibility for making any necessary repairs.

3. Mileage Payments. As stated previously, Lawrence County paid mileage to one of its contractors. This payment was based on a hand-written invoice with a stated total number of miles. It is good management practice to require all expense reimbursement requests to be documented. Lawrence County is advised to require that anyone being paid mileage to keep a daily logbook and present this information when requesting reimbursement.

4. Insurance. The district carried an encroachment and treasurer bond as well as a commercial package that included liability, property, public official's liability, and equipment breakdown. However, all of the district's insurance expired in April 1999. Mr. McGlothlin informed staff that he has spoken with Lawrence County's insurance agent and has reduced the coverage of the treasurer bond and thus lowered the premium. He stated that the premium would be paid. He also stated that they were in the process of getting the encroachment bond released. Regarding the property insurance, Mr. McGlothlin has added Lawrence County's tank and pump station to Big Sandy's policy. As far as staff knows, Lawrence County has had no liability coverage since it expired in April 1999.

5. Number of Customers. Phase One had a projected customer number of 258; however, the July 1999 billing indicated approximately 230 customers. Mr. McGlothlin informed staff that there were approximately 40 taps appearing on the Lawrence County plans that were in the ground but were not yet receiving water. These taps could be dry for various reasons. For instance, some people may not have yet run the service line from the meter to the house; others may have paid for a water tap with no intention of hooking on unless their well went dry. If all 40 dry taps eventually begin receiving service, the district will have exceeded the customer projections. However, as of July 1999, the district had nearly 30 customers less than projected.

#### Conclusion

Lawrence County is advised to review this report carefully and respond to all numbered items in each section within 30 days of receipt of the final report. In addition, the utility shall file an annual report for 1998 within the same time period. Financial audit branch staff is available to discuss or assist in correcting any of the deficiencies noted.

LAWRENCE COUNTY WATER DISTRICT  
BALANCE SHEET  
December 31, 1995

## ASSETS AND OTHER DEBITS

	CURRENT AND ACCRUED ASSETS:	
131	Cash	<u>\$ 67,077.35</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>\$ 67,077.35</u>

## EQUITY CAPITAL AND LIABILITIES

	EQUITY CAPITAL:	
215	Retained Earnings	<u>\$ 939.09</u>
	CONTRIBUTIONS IN AID OF CONSTRUCTION:	
271	Contributions in Aid of Construction	<u>66,138.26</u>
	TOTAL EQUITY CAPITAL AND LIABILITIES	<u>\$ 67,077.35</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF OPERATIONS  
For the Year Ended December 31, 1995**

	OTHER INCOME AND DEDUCTIONS:	
419	Interest and Dividend Income	<u>\$ 939.09</u>
	NET INCOME	<u>\$ 939.09</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 1995**

215 RETAINED EARNINGS

Retained Earnings at beginning of year	\$ 0.00
Balance transferred from operations	<u>939.09</u>
Retained Earnings at end of year	<u>\$ 939.09</u>

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1995**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
131	(1) Cash	\$67,077.35	
271	Contributions in Aid of Construction		\$66,138.26
419	Interest and Dividend Income		939.09

to record deposits into First National  
Bank account

LAWRENCE COUNTY WATER DISTRICT  
BALANCE SHEET  
December 31, 1996

## ASSETS AND OTHER DEBITS

	CURRENT AND ACCRUED ASSETS:	
131	Cash	<u>\$ 84,758.83</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>\$ 84,758.83</u>

## EQUITY CAPITAL AND LIABILITIES

	EQUITY CAPITAL:	
215	Retained Earnings	<u>\$ 3,345.57</u>
	CONTRIBUTIONS IN AID OF CONSTRUCTION:	
271	Contributions in Aid of Construction	<u>81,413.26</u>
	TOTAL EQUITY CAPITAL AND LIABILITIES	<u>\$ 84,758.83</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF OPERATIONS  
For the Year Ended December 31, 1996**

	<b>OTHER INCOME AND DEDUCTIONS:</b>	
419	Interest and Dividend Income	<u>\$ 2,406.48</u>
	<b>NET INCOME</b>	<u><u>\$ 2,406.48</u></u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 1996**

215 RETAINED EARNINGS

Retained Earnings at beginning of year	\$ 939.09
Balance transferred from operations	<u>2,406.48</u>
Retained Earnings at end of year	<u>\$ 3,345.57</u>

LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1996

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
131	(2) Cash	\$17,681.48	
271	Contributions in Aid of Construction		\$15,275.00
419	Interest and Dividend Income		2,406.48

to record deposits into First National  
Bank account

**LAWRENCE COUNTY WATER DISTRICT  
BALANCE SHEET  
December 31, 1997**

**ASSETS AND OTHER DEBITS**

	UTILITY PLANT:	
105	Construction Work in Progress	<u>\$ 1,459,844.04</u>
	CURRENT AND ACCRUED ASSETS:	
131	Cash	
	Operating Account	3,306.69
	Phase Two Account	<u>30,500.00</u>
	Total Current and Accrued Assets	<u>33,806.69</u>
	<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><b>\$ 1,493,650.73</b></u>

**EQUITY CAPITAL AND LIABILITIES**

	EQUITY CAPITAL:	
215	Retained Earnings	<u>\$ 2,834.70</u>
	LONG-TERM DEBT:	
224	Long-Term Debt	<u>500,000.00</u>
	CURRENT AND ACCRUED LIABILITIES:	
232	Accounts Payable	120,486.27
237	Interest Accrued	<u>6,472.60</u>
	Total Current and Accrued Liabilities	<u>126,958.87</u>
	CONTRIBUTIONS IN AID OF CONSTRUCTION:	
271	Contributions in Aid of Construction	<u>863,857.16</u>
	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	<u><b>\$ 1,493,650.73</b></u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF OPERATIONS  
For the Year Ended December 31, 1997**

OPERATING EXPENSES		
OPERATION AND MAINTENANCE EXPENSES:		
620	Materials and Supplies	\$ 113.32
655	Insurance Expense	3,841.00
675	Miscellaneous Expenses	<u>348.00</u>
TOTAL OPERATING EXPENSES		<u>4,302.32</u>
OPERATING INCOME (LOSS)		<u>(4,302.32)</u>
OTHER INCOME AND DEDUCTIONS:		
419	Interest and Dividend Income	791.45
421	Nonutility Income	<u>3,000.00</u>
Total Other Income and Deductions		<u>3,791.45</u>
NET INCOME (LOSS)		<u>\$ (510.87)</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 1997**

## 215 RETAINED EARNINGS

Retained Earnings at beginning of year	\$ 3,345.57
Balance transferred from operations	<u>(510.87)</u>
Retained Earnings at end of year	<u>\$ 2,834.70</u>

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1997**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(3)		
105	Construction Work in Progress	\$987.00	
131	Cash	304.45	
419	Interest and Dividend Income		\$791.45
271	Contributions in Aid of Construction		500.00
	to record net activity in First National Bank account		
	(4)		
131	Cash	6,250.00	
271	Contributions in Aid of Construction		3,250.00
421	Nonutility Income		3,000.00
	to record cash deposited in operating account		
	(5)		
271	Contributions in Aid of Construction	650.00	
620	Materials and Supplies	113.32	
675	Miscellaneous Expenses	348.00	
131	Cash		1,111.32
	to record disbursements from operating account		
	(6)		
131	Cash	1,736,395.01	
271	Contributions in Aid of Construction		748,843.90
224	Long-Term Debt		500,000.00
232	Notes Payable		487,551.11
	to record deposits in Phase One account		

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1997**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(7)		
105	Construction Work in Progress	\$1,331,898.17	
232	Notes Payable	487,551.11	
655	Insurance Expense	3,841.00	
131	Cash		\$1,823,290.28
	to record disbursements from Phase one account		
	(8)		
131	Cash	30,500.00	
271	Contributions in Aid of Construction		30,500.00
	to record deposits in Phase Two account		
	(9)		
105	Construction Work in Progress	6,472.60	
237	Accrued Interest		6,472.60
	to record accrued interest at 12/31/97		
	(10)		
105	Construction Work in Progress	120,486.27	
231	Accounts Payable		120,486.27
	to record accounts payable at 12/31/97		

**LAWRENCE COUNTY WATER DISTRICT  
BALANCE SHEET  
December 31, 1998**

**ASSETS AND OTHER DEBITS**

UTILITY PLANT:		
101	Utility Plant in Service	\$ 1,658,526.31
108	Accumulated Depreciation	<u>(28,984.20)</u>
	Net Utility Plant	<u>1,629,542.11</u>
CURRENT AND ACCRUED ASSETS:		
131	Cash	
	Operating Account	901.88
	Phase One Account	4,962.55
	Phase Two Account	71,600.89
141	Customer Accounts Receivable	<u>8,661.59</u>
	Total Current and Accrued Assets	<u>86,126.91</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>\$ 1,715,669.02</u>

**EQUITY CAPITAL AND LIABILITIES**

EQUITY CAPITAL:		
215	Retained Earnings	<u>\$ (49,736.10)</u>
LONG-TERM DEBT:		
224	Long-Term Debt	<u>500,000.00</u>
CURRENT AND ACCRUED LIABILITIES:		
232	Accounts Payable	14,890.86
242	Miscellaneous Current and Accrued Liabilities	<u>3,084.22</u>
	Total Current and Accrued Liabilities	<u>17,975.08</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION:		
271	Contributions in Aid of Construction	<u>1,247,430.04</u>
	TOTAL EQUITY CAPITAL AND LIABILITIES	<u>\$ 1,715,669.02</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF OPERATIONS  
For the Year Ended December 31, 1998**

OPERATING REVENUES		
WATER SALES:		
461.1	Metered Sales to Residential Customers	\$41,504.12
461.2	Metered Sales to Commercial Customers	<u>885.33</u>
	Total Water Sales	<u>42,389.45</u>
OTHER WATER REVENUES:		
474	Other Water Revenues	<u>1,191.66</u>
	TOTAL OPERATING REVENUES	<u>43,581.11</u>
OPERATING EXPENSES		
OPERATION AND MAINTENANCE EXPENSES:		
610	Purchased Water	14,964.18
615	Purchased Power	1,592.47
618	Chemicals	68.68
620	Materials and Supplies	6,139.43
630	Contractual Services	20,245.81
650	Transportation Expenses	2,663.51
655	Insurance Expense	6,019.00
675	Miscellaneous Expenses	<u>1,075.52</u>
	Total Operation and Maintenance Expenses	<u>52,768.60</u>
403	Depreciation Expense	<u>28,984.20</u>
	TOTAL OPERATING EXPENSES	<u>81,752.80</u>
	OPERATING INCOME (LOSS)	<u>(38,171.69)</u>
OTHER INCOME AND DEDUCTIONS:		
419	Interest and Dividend Income	600.89
427	Interest Expense	<u>(15,000.00)</u>
	Total Other Income and Deductions	<u>(14,399.11)</u>
	NET INCOME (LOSS)	<u>\$ (52,570.80)</u>

LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 1998

## 215 RETAINED EARNINGS

Retained Earnings at beginning of year	\$ 2,834.70
Balance transferred from operations	<u>(52,570.80)</u>
Retained Earnings (Deficit) at end of year	<u>\$ (49,736.10)</u>

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1998**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(11)		
131	Cash	\$340,372.88	
271	Contributions in Aid of Construction		\$340,372.88
	to record deposits in Phase One account		
	(12a)		
101	Utility Plant in Service	1,459,844.04	
105	Construction Work in Progress		1,459,844.04
	to record placement of system in service		
	(12b)		
101	Utility Plant in Service	145,207.46	
.31	Accounts Payable	120,486.27	
237	Interest Accrued	6,472.60	
131	Cash		272,166.33
	to record disbursements from Phase One account		
	(13)		
101	Utility Plant in Service	11,608.00	
231	Accounts Payable		11,608.00
	to record accounts payable from Phase One account at 12/31/98		
	(14)		
131	Cash	35,600.89	
271	Contributions in Aid of Construction		35,000.00
419	Interest Income		600.89
	to record activity in Phase Two account		

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1998**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(15)		
141	Customer Accounts Receivable	\$46,665.33	
461.1	Metered Sales to Residential Customers		\$41,504.12
242	Miscellaneous Current and Accrued Liabilities		3,084.22
474	Other Water Revenues		1,191.66
461.2	Metered Sales to Commercial Customers		885.33
	to record billing		
	(16)		
131	Cash	51,579.13	
141	Customer Accounts Receivable		37,306.57
271	Contributions in Aid of Construction		12,000.00
101	Utility Plant in Service		2,272.56
	to record deposits in operating account		
	(17)		
101	Utility Plant in Service	36,639.37	
271	Contributions in Aid of Construction	3,800.00	
131	Cash		40,439.37
	to record disbursements from operating account for capital items and refund of taps		
	(18)		
630	Contractual Services	19,635.81	
427	Interest Expense	15,000.00	
610	Purchased Water	13,304.66	
101	Utility Plant in Service	7,500.00	
655	Insurance Expense	6,019.00	
620	Materials and Supplies	5,465.34	
650	Transportation Expense	2,511.51	
615	Purchased Power	1,405.22	
675	Miscellaneous Expenses	297.00	
618	Chemicals	68.68	
31	Cash		71,207.22
	to record disbursements from operating account for expenses and capitalized interest		

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
December 31, 1998**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(19)		
610	Purchased Water	\$1,659.52	
620	Materials and Supplies	674.09	
630	Contractual Services	610.00	
615	Purchased Power	187.25	
650	Transportation Expense	152.00	
231	Accounts Payable		\$3,282.86
	to record accounts payable from operating account at 12/31/98		
	(20)		
141	Customer Accounts Receivable	81.35	
131	Cash		81.35
	to record returned check		
	(21)		
675	Miscellaneous Expenses	778.52	
141	Customer Accounts Receivable		778.52
	to adjust accounts receivable per general ledger to the billing register		
	(22)		
403	Depreciation Expense	28,984.20	
108	Accumulated Depreciation		28,984.20
	to record depreciation expense		

**LAWRENCE COUNTY WATER DISTRICT  
BALANCE SHEET  
May 31, 1999**

**ASSETS AND OTHER DEBITS**

UTILITY PLANT:		
101	Utility Plant in Service	\$ 1,660,241.31
105	Construction Work in Progress	1,546.75
108	Accumulated Depreciation	<u>(47,036.04)</u>
	Net Utility Plant	<u>1,614,752.02</u>
CURRENT AND ACCRUED ASSETS:		
131	Cash	
	Operating Account	6,598.88
	Phase One Account	597.55
	Phase Two Account	77,499.58
141	Customer Accounts Receivable	<u>10,518.12</u>
	Total Current and Accrued Assets	<u>95,214.13</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>\$ 1,709,966.15</u>

**EQUITY CAPITAL AND LIABILITIES**

EQUITY CAPITAL:		
215	Retained Earnings	<u>\$ (68,737.63)</u>
LONG-TERM DEBT:		
224	Long-Term Debt	<u>500,000.00</u>
CURRENT AND ACCRUED LIABILITIES:		
232	Accounts Payable	3,811.52
235	Customer Deposits	70.00
237	Interest Accrued	7,083.33
242	Miscellaneous Current and Accrued Liabilities	<u>5,065.89</u>
	Total Current and Accrued Liabilities	<u>16,030.74</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION:		
271	Contributions in Aid of Construction	<u>1,262,673.04</u>
	TOTAL EQUITY CAPITAL AND LIABILITIES	<u>\$ 1,709,966.15</u>

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF OPERATIONS  
For the Period Ended May 31, 1999**

## OPERATING REVENUES

## WATER SALES:

461.1	Metered Sales to Residential Customers	\$ 29,331.47
461.2	Metered Sales to Commercial Customers	<u>891.42</u>

Total Water Sales 30,222.89

## OTHER WATER REVENUES:

474	Other Water Revenues	<u>834.34</u>
-----	----------------------	---------------

TOTAL OPERATING REVENUES 31,057.23

## OPERATING EXPENSES

## OPERATION AND MAINTENANCE EXPENSES:

610	Purchased Water	8,587.51
615	Purchased Power	1,071.37
620	Materials and Supplies	658.18
630	Contractual Services	12,119.40
650	Transportation Expenses	1,146.66
675	Miscellaneous Expenses	<u>(52.51)</u>

Total Operation and Maintenance Expenses 23,530.61

403	Depreciation Expense	<u>18,051.84</u>
-----	----------------------	------------------

TOTAL OPERATING EXPENSES 41,582.45

OPERATING INCOME (LOSS) (10,525.22)

## OTHER INCOME AND DEDUCTIONS:

419	Interest and Dividend Income	898.69
427	Interest Expense	<u>(9,375.00)</u>

Total Other Income and Deductions (8,476.31)

NET INCOME (LOSS) \$ (19,001.53)

**LAWRENCE COUNTY WATER DISTRICT  
STATEMENT OF RETAINED EARNINGS  
For the Period Ended May 31, 1999**

## 215 RETAINED EARNINGS

Retained Earnings (Deficit) at beginning of year	\$ (49,736.10)
Balance transferred from operations	<u>(19,001.53)</u>
Retained Earnings (Deficit) at end of year	<u>\$ (68,737.63)</u>

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
May 31, 1999**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(23)		
231	Accounts Payable	\$11,608.00	
131	Cash		\$11,608.00
	to record disbursements from the Phase One account through 5/31/99		
	(24)		
131	Cash	7,243.00	
271	Contributions in Aid of Construction		7,243.00
	to record deposits in Phase One account through 5/31/99		
	(25)		
31	Cash	7,398.69	
271	Contributions in Aid of Construction		6,500.00
419	Interest and Dividend Income		898.69
	to record activity in Phase Two account through 5/31/99		
	(26)		
141	Customer Accounts Receivable	33,092.82	
461.1	Metered Sales to Residential Customers		29,385.39
242	Miscellaneous Current and Accrued Liabilities		1,981.67
474	Other Water Revenues		834.34
461.2	Metered Sales to Commercial Customers		891.42
	to record billing through 5/31/99		
	(27)		
131	Cash	32,955.53	
141	Customer Accounts Receivable		31,385.53
271	Contributions in Aid of Construction		1,500.00
235	Customer Deposits		70.00
	to record deposits in operating account through 5/31/99		

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
May 31, 1999**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(28)		
630	Contractual Services	\$11,769.00	
610	Purchased Water	6,915.63	
427	Interest Expense	2,291.67	
650	Transportation Expenses	1,146.66	
101	Utility Plant in Service	1,715.00	
615	Purchased Power	849.36	
620	Materials and Supplies	641.18	
461.1	Metered Sales to Residential Customers	53.92	
675	Miscellaneous Expenses	37.01	
131	Cash		\$25,419.43
	to record disbursements from operating account through 5/31/99		
	(29)		
610	Purchased Water	1,671.88	
'05	Construction Work in Progress	1,546.75	
630	Contractual Services	350.40	
615	Purchased Power	222.01	
675	Miscellaneous Expenses	20.48	
231	Accounts Payable		3,811.52
	to record accounts payable at 5/31/99		
	(30)		
141	Customer Accounts Receivable	39.79	
620	Materials and Supplies	17.00	
131	Cash		56.79
	to record bank charges, returned check and associated fee		
	(31)		
141	Customer Accounts Receivable	109.45	
131	Cash	.55	
675	Miscellaneous Expenses		110.00
	to adjust accounts receivable and cash to actual at 5/31/99		

**LAWRENCE COUNTY WATER DISTRICT  
JOURNAL ENTRIES  
May 31, 1999**

<u>Account Number</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
	(32)		
427	Interest Expense	\$7,083.33	
237	Interest Accrued		\$7,083.33
	to record interest accrued at 5/31/99		
	(33)		
403	Depreciation Expense	18,051.84	
108	Accumulated Depreciation		18,051.84
	to record depreciation expense through 5/31/99		
	(34)		
_31	Accounts Payable	3,282.86	
131	Cash		3,282.86
	to record payment of 12/31/98 accounts payable		

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
JAN 9 2000  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE COUNTY )  
WATER DISTRICT AND BIG SANDY WATER )  
DISTRICT FOR AUTHORIZATION AND APPROVAL OF )  
THE PROPOSED TRANSFER OF OWNERSHIP AND ) CASE NO. 99-481  
CONTROL OF ALL LAWRENCE COUNTY WATER )  
DISTRICT'S WATER SYSTEM PROPERTY ASSETS )  
AND FUNDS TO BIG SANDY WATER SYSTEM )  
)

**WAIVER AND EXTENSION OF STATUTORY  
TIME PERIOD**

LAWRENCE COUNTY WATER DISTRICT ("LCWD") and BIG SANDY WATER DISTRICT ("BSWD"), by and through their counsel, do hereby agree, pursuant to KRS 278.020(5), to extend the 60-day statutory period for Public Service Commission review and action on their Agreement to transfer ownership and control of LCWD's assets to BSWD. This waiver is for the purpose of extending that statutory period to a total of 105 days. LCWD and BSWD understand and agree that they are waiving their right to have the transfer approved or denied within the 60 days set forth by statute or to have the transfer deemed approved if for any reason the Public Service Commission fails to act within the prescribed period, by extending the period to 105 days.

Respectfully submitted,

RUBIN & HAYS

By:   
W. Randall Jones  
200 South Fifth Street  
Louisville, Kentucky 40202  
(502) 569-7525

Special Counsel for Lawrence County Water  
District and Big Sandy Water District



**Paul E. Patton**  
Governor

COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-1582

**Ronald B. McCloud, Secretary**  
Public Protection and  
Regulation Cabinet

**Helen Helton**  
Executive Director  
Public Service Commission

January 13, 2000

W. Randall Jones, Esq.  
Rubin & Hays  
200 South Fifth Street  
Louisville, Kentucky 40202

Re: Case No. 99-481  
Lawrence County Water District/Big Sandy Water District

Dear Mr. Jones:

Pursuant to our telephone conversation of January 11, 2000, enclosed is a proposed "Waiver and Extension of Statutory Time Period." An electronic copy of the proposed Waiver in Word97 format was sent to you by electronic mail this day.

The proposed Waiver permits the Commission an additional 45 days to complete its review of Lawrence County Water District and Big Sandy Water District's application. This additional time is needed to address certain issues presented by the application. Please be assured that the Commission will make every effort to complete its review well before the 45-day period has run.

Please note that to be effective that the Waiver must be submitted no later than January 22, 2000.

Thank you for your assistance in this matter. If you have any questions, please telephone me at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Wuetcher".

Gerald E. Wuetcher  
Staff Attorney

cc: Case File No. 99-481

C:\WINDOWS\TEMP\200113\_Jones\_Extension of Time.doc



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE COUNTY	)	
WATER DISTRICT AND BIG SANDY WATER	)	
DISTRICT FOR AUTHORIZATION AND APPROVAL	)	
OF THE PROPOSED TRANSFER OF OWNERSHIP	)	CASE NO. 99-481
AND CONTROL OF ALL LAWRENCE COUNTY	)	
WATER DISTRICT'S WATER SYSTEM PROPERTY	)	
ASSETS AND FUNDS TO BIG SANDY WATER	)	
SYSTEM	)	

**WAIVER AND EXTENSION OF STATUTORY  
TIME PERIOD**

LAWRENCE COUNTY WATER DISTRICT ("LCWD") and BIG SANDY WATER DISTRICT ("BSWD"), by and through their counsel, do hereby agree, pursuant to KRS 278.020(5), to extend the 60-day statutory period for Public Service Commission review and action on their Agreement to transfer ownership and control of LCWD's assets to BSWD. This waiver is for the purpose of extending that statutory period to a total of 105 days. LCWD and BSWD understand and agree that they are waiving their right to have the transfer approved or denied within the 60 days set forth by statute or to have the transfer deemed approved if for any reason the Public Service Commission fails to act within the prescribed period, by extending the period to 105 days.

Respectfully submitted,

RUBIN & HAYS

By: \_\_\_\_\_  
W. Randall Jones  
200 South Fifth Street  
Louisville, Kentucky 40202  
(502) 569-7525

Special Counsel for Lawrence County Water  
District and Big Sandy Water District



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

December 10, 1999

To: All parties of record

RE: Case No. 1999-481  
LAWRENCE COUNTY WATER DISTRICT

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

SB/sh  
Enclosure

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, KY. 40503 5477

Mrs. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, KY. 40351

Mr. Lafe Hinkle  
Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P. O. box 689  
Louisa, KY. 41230

Honorable Nelson T. Sparks  
Attorney at Law  
P. O. Box 8  
Louisa, KY. 41230

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, KY. 41129

Honorable Roger W. Hall  
Hanbury, Potter, Hall  
& Williams, P.S.C.  
P. O. Box 2008  
Ashland, KY. 41105 2008

Honorable W. Randall Jones  
Rubin & Hays  
First Trust Centre  
200 South Fifth Street  
Louisville, KY. 40202

BEFORE THE PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY

RECEIVED  
NOV 23 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE )  
COUNTY WATER DISTRICT AND BIG SANDY )  
WATER DISTRICT FOR AUTHORIZATION AND )  
APPROVAL OF THE PROPOSED TRANSFER OF )  
OWNERSHIP AND CONTROL OF ALL OF )  
LAWRENCE COUNTY WATER DISTRICT'S )  
WATER SYSTEM PROPERTY ASSETS AND )  
FUNDS TO BIG SANDY WATER DISTRICT )

Case No. CA-481

FILED

NOV 23 1999

PUBLIC SERVICE  
COMMISSION

JOINT APPLICATION

Pursuant to KRS 278.020(4) and 807 KAR 5:001§8, LAWRENCE COUNTY WATER DISTRICT, a water district of Lawrence County, Kentucky ("LCWD") and BIG SANDY WATER DISTRICT, a water district of Boyd, Carter and Lawrence Counties, Kentucky ("BSWD"), hereby submit to the Public Service Commission of Kentucky ("Commission") their joint application for the transfer of ownership and control of LCWD's water system and assets to BSWD.

1. LCWD is a Water District, organized under and operating pursuant to the provisions of KRS Chapter 74. It is a "utility", as defined in KRS 278.010(3)(d) and is subject to the jurisdiction of the Commission pursuant to KRS 278.012. LCWD's territory covers portions of Lawrence County, Kentucky within which there are approximately 220 water service customers.

2. LCWD's address is P.O. Box 250, Louisa, Kentucky 41230.

3. BSWD is a Water District, organized under and operating pursuant to the provisions of KRS Chapter 74. It is a "utility", as defined in KRS 278.010(3)(d) and is subject to the jurisdiction of the Commission pursuant to KRS 278.012. BSWD's territory covers portions of



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

November 23, 1999

To: All parties of record

RE: Case No. 1999-481  
LAWRENCE COUNTY WATER DISTRICT  
(Transfer/Sale/Purchase/Merger) BY BIG SANDY WATER DISTRICT

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received November 23, 1999 and has been assigned Case No. 1999-481. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,  
*Stephanie Bell*

Stephanie Bell  
Secretary of the Commission

SB/jc

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, KY. 40503 5477

Mrs. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, KY. 40351

Mr. Lafe Hinkle  
Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P. O. box 689  
Louisa, KY. 41230

Honorable Nelson T. Sparks  
Attorney at Law  
P. O. Box 8  
Louisa, KY. 41230

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, KY. 41129

Honorable Roger W. Hall  
Hanbury, Potter, Hall  
& Williams, P.S.C.  
P. O. Box 2008  
Ashland, KY. 41105 2008

Honorable W. Randall Jones  
Rubin & Hays  
First Trust Centre  
200 South Fifth Street  
Louisville, KY. 40202

# Rubin & Hays

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202-3236  
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

OF COUNSEL  
WM. CARL FUST

PARALEGAL  
MARY M. EMBRY

November 22, 1999  
**FILED**

NOV 23 1999

**PUBLIC SERVICE  
COMMISSION**

**RECEIVED**  
NOV 23 1999  
PUBLIC SERVICE  
COMMISSION

Ms. Helen C. Helton  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: *Case 99-481*  
Acquisition of Lawrence County Water District by Big Sandy Water District

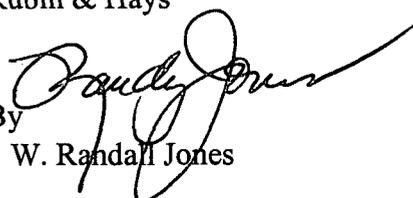
Dear Ms. Helton:

Enclosed please find the original and ten (10) copies of the Joint Application of the Lawrence County Water District and the Big Sandy Water District requesting approval of the acquisition of Lawrence County by Big Sandy pursuant to KRS 278.020(4).

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jlm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

Account No. 429.0000

**Re: Big Sandy Water District Acquisition of Lawrence County Water District**

Mr. Vernon Brown  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (606) 224-7336

Mrs. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2921

Mr. Lafe Hinkle II, Chairman  
Lawrence County Water District  
c/o Inez Deposit Bank  
P.O. Box 689  
Louisa, Kentucky 41230

Phone: (606) 638-9461  
Fax: (606) 298-3511

Nelson T. Sparks, Esq.  
Attorney at Law  
P.O. Box 8  
Louisa, Kentucky 41230

Phone: (606) 638-4204  
Fax: (606) 638-4236

Mr. Robert S. McGlothlin  
Superintendent  
Big Sandy Water District  
18200 Kentucky Route 3  
Catlettsburg, Kentucky 41129

Phone: (606) 928-2075

Roger W. Hall, Esq.  
Hanbury, Potter, Hall & Winans, P.S.C.  
P.O. Box 2008  
Ashland, Kentucky 41105-2008

Phone: (606) 329-1919  
Fax: (606) 325-4303

W. Randall Jones, Esq.  
Rubin & Hays  
First Trust Centre  
200 S. Fifth Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7534  
Fax: (502) 569-7555

BEFORE THE PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY

RECEIVED  
NOV 23 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE )  
COUNTY WATER DISTRICT AND BIG SANDY )  
WATER DISTRICT FOR AUTHORIZATION AND )  
APPROVAL OF THE PROPOSED TRANSFER OF )  
OWNERSHIP AND CONTROL OF ALL OF )  
LAWRENCE COUNTY WATER DISTRICT'S )  
WATER SYSTEM PROPERTY ASSETS AND )  
FUNDS TO BIG SANDY WATER DISTRICT )

Case No. CA-481

FILED

NOV 23 1999

PUBLIC SERVICE  
COMMISSION

JOINT APPLICATION

Pursuant to KRS 278.020(4) and 807 KAR 5:001§8, LAWRENCE COUNTY WATER DISTRICT, a water district of Lawrence County, Kentucky ("LCWD") and BIG SANDY WATER DISTRICT, a water district of Boyd, Carter and Lawrence Counties, Kentucky ("BSWD"), hereby submit to the Public Service Commission of Kentucky ("Commission") their joint application for the transfer of ownership and control of LCWD's water system and assets to BSWD.

1. LCWD is a Water District, organized under and operating pursuant to the provisions of KRS Chapter 74. It is a "utility", as defined in KRS 278.010(3)(d) and is subject to the jurisdiction of the Commission pursuant to KRS 278.012. LCWD's territory covers portions of Lawrence County, Kentucky within which there are approximately 220 water service customers.

2. LCWD's address is P.O. Box 250, Louisa, Kentucky 41230.

3. BSWD is a Water District, organized under and operating pursuant to the provisions of KRS Chapter 74. It is a "utility", as defined in KRS 278.010(3)(d) and is subject to the jurisdiction of the Commission pursuant to KRS 278.012. BSWD's territory covers portions of

Boyd, Carter and Lawrence Counties, Kentucky, within which there are approximately 2,491 water service customers.

4. BSWD's address is 18200 Kentucky Route 3, Catlettsburg, Kentucky 41129.

5. LCWD, through its Commission, desires to transfer ownership and control of all of its assets to BSWD. To that end, LCWD and BSWD have executed a Contract for Sale and Transfer ("Contract") filed herewith as **Exhibit "A"**. Pursuant to the Contract, LCWD will transfer all of its assets to BSWD in exchange for the assumption by BSWD of LCWD's outstanding indebtedness and other valuable consideration, including certain commitments of BSWD respecting water service in LCWD's territory.

4. BSWD has the financial, technical and managerial capability to serve the present customers of LCWD, and BSWD also has the capability to serve future customers in LCWD's territory. A Statement of the Superintendent of BSWD demonstrating its financial, technical and managerial capability and willingness to serve these customers is filed herewith as **Exhibit "B"**. (Big Sandy's 1999 Annual Report is incorporated herein by reference).

5. Attached hereto is the Notice of Adoption, described in 807 KAR 5:011§11.

WHEREFORE, pursuant to KRS 278.020(4), Applicants Lawrence County Water District and Big Sandy Water District pray that the Public Service Commission enter an Order that finds that Big Sandy Water District is financially, technically and managerially capable of rendering water service to Applicant's customers, and that authorizes the transfer of the ownership and control of Lawrence County Water District to Big Sandy Water District.





RECEIVED

NOV 23 1999

PUBLIC SERVICE  
COMMISSION

**CONTRACT FOR SALE AND TRANSFER**

THIS CONTRACT OF SALE AND TRANSFER (the "Contract"), made as of the 1st day of November, 1999, by and between LAWRENCE COUNTY WATER DISTRICT ("LCWD"), a water district situated in Lawrence County, Kentucky, created and existing pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes (the "Act"); BIG SANDY WATER DISTRICT ("Big Sandy"), a water district situated in Boyd, Carter and Lawrence Counties, Kentucky, created and existing pursuant to the provisions of the Act; and UNITED STATES DEPARTMENT OF AGRICULTURE, acting by and through the RURAL DEVELOPMENT ("RD"),

**WITNESSETH**

That in consideration of the mutual benefits flowing to each of the parties hereto, LCWD, Big Sandy and RD agree as follows:

**ARTICLE I**

**DEFINITIONS**

**Section 101.** In and throughout this Contract it will be appropriate and necessary to make repetitive reference to certain words, phrases and clauses, and in order to avoid repeating them at length it is deemed convenient and expedient to set forth certain definitions and shortened identifications thereof; and accordingly, wherever such defined or shortened references are utilized, the same shall have the following meanings unless a contrary intent shall clearly appear from the context, in which event the context shall be controlling:

*"Act"* refers to Chapters 74 and 273 of the Kentucky Revised Statutes.

*"Area of Big Sandy"* refers to the area in Boyd, Carter and Lawrence Counties, Kentucky, lying within the boundaries of Big Sandy as established in the proceedings pursuant to which Big Sandy was created and expanded in accordance with the Act.

"Area of LCWD" refers to the area in Lawrence County, Kentucky, lying within the boundaries of LCWD as established in the proceedings pursuant to which LCWD was created and expanded in accordance with the Act.

"Assumption Agreement" refers to the Assumption Agreement dated as of the Closing Date, by and among RD, LCWD and Big Sandy, wherein Big Sandy agrees to assume the Prior LCWD Bonds.

"Big Sandy" refers to Big Sandy Water District, a water district situated in Boyd, Carter and Lawrence Counties, Kentucky and created pursuant to the Act.

"Big Sandy Board" refers to the lawful and official governing body of Big Sandy.

"Big Sandy Chairperson" refers to the Chairperson of the Big Sandy Board.

"Big Sandy System" refers to the existing waterworks system of Big Sandy.

"Big Sandy's Water Rates" refers to the schedule of water service rates and charges presently promulgated, enforced and collected by Big Sandy, within the Area of Big Sandy, being the same schedule of rates and charges established by Order of the Public Service Commission, now in full force and effect, which rates and charges are attached hereto as **Exhibit B**.

"City" refers to the City of Louisa, Kentucky.

"Closing Date" refers to the date upon which the parties hereto shall consummate all of the actions to be performed by such parties as contemplated by this Contract.

"KRS" refers to the Kentucky Revised Statutes, as amended to the date of this Contract, and as the same may hereafter be amended from time to time.

"LCWD" refers to Lawrence County Water District, a water district situated in Lawrence County, Kentucky and created pursuant to the Act.

"LCWD Board" refers to the lawful and official governing body of LCWD.

"LCWD Chairperson" refers to the Chairperson of the LCWD Board.

"LCWD System" refers to the existing waterworks system of LCWD.

"LCWD's Water Rates" refers to the schedule of rates and charges for water service as presently promulgated, enforced and collected within the Area of LCWD, being the same schedule of rates and charges established by Order of the Public Service Commission, now in full force and effect, which rates and charges are attached hereto as **Exhibit A**.

*"Prior Big Sandy Bonds"* refers to the outstanding bonds and obligations of Big Sandy as follows:

- (i) Big Sandy Water District Waterworks Revenue Bonds of 1989, dated March 6, 1991, in the original principal amount of \$640,000, currently held by RD;
- (ii) Kentucky Infrastructure Authority Loan, dated as of January 1, 1990, in the original principal amount of \$1,383,952; and
- (iii) Big Sandy Water District Waterworks Revenue Bonds of 1993, dated December 13, 1994, in the original principal amount of \$1,214,000, currently held by the RD.

*"Prior LCWD Bonds"* refers to the outstanding bonds designated as Lawrence County Water District Waterworks Revenue Bonds, Series 1997, dated September 18, 1997, in the original outstanding principal amount of \$500,000, currently held by RD.

*"Public Service Commission"* refers to the Public Service Commission of Kentucky, having jurisdiction over LCWD and Big Sandy pursuant to KRS Chapter 278.

*"RD"* refers to the Rural Development of the United States Department of Agriculture.

*"Water Purchase Contract"* refers to a written agreement made by LCWD and the City, whereby LCWD purchases water from the City for distribution to the customers of LCWD.

**Section 102.** The words "herein", "hereinbefore" and "hereinafter" are references to the text of this Contract.

## ARTICLE II

### RECITALS AND REPRESENTATIONS

**Section 201. Recitals.** The parties agree that the following is a true and accurate statement of certain history, facts and circumstances material to the making of this Contract, and is supplied in order to serve as a guide to the intentions of the parties, deemed to be useful in the understanding and interpretation of the provisions hereof, in the event such provisions are otherwise ambiguous in any way;

A. Big Sandy is the owner of the works and facilities through which water service is provided to the citizens and inhabitants of the Area of Big Sandy. In that connection Big Sandy has outstanding, as of the date hereof, certain Prior Big Sandy Bonds, payable as to principal and interest solely from a pledge of and lien upon the revenues of the Big Sandy System.

B. LCWD is the owner of the water distribution system constructed and installed by LCWD, and in that connection there are presently outstanding certain Prior LCWD Bonds which are currently held by RD.

C. LCWD obtains its supply of water, for distribution to its customers from the City pursuant to the Water Purchase Contract, and has no independent water supply or facilities for the treatment and purification of water.

D. As a temporary expedient, pending consummation of this Contract, Big Sandy presently maintains the LCWD System and also prepares bills and collects the revenues therefrom.

**Section 202. Representations of LCWD.** LCWD represents that it is a water district created and existing pursuant to the Act and as of date hereof is not in default in the payment of principal of or interest on the Prior LCWD Bonds, and has full lawful authority to carry out all of

the provisions of this Contract on its part to be performed and to enter into the Assumption Agreement with Big Sandy and RD.

**Section 203. Representations of Big Sandy.** Big Sandy represents that Big Sandy has outstanding no revenue bonds which are payable from water revenues, except the Prior Big Sandy Bonds; that as of the date hereof there is no default in the payment of principal of or interest on any of said Prior Big Sandy Bonds; and that it has the lawful right and power to enter into the Assumption Agreement with LCWD and RD, upon condition that it first obtain the written consent of the RD as holder of the Prior Big Sandy Bonds and the Prior LCWD Bonds.

**Section 204. Representations of RD.** RD represents that it is the holder of all of the Prior LCWD Bonds and that it will continue to hold same until the consummation of this Contract.

## ARTICLE III

### AGREEMENT OF THE PARTIES

The parties hereby agree, respectively, as follows:

**Section 301. Agreements of LCWD.** LCWD agrees that:

(1) At or prior to the Closing Date it will execute and deliver to Big Sandy all such deeds, bills of sale and assignments as are deemed necessary by Counsel in order to vest in Big Sandy the complete ownership of all of the water distribution system and appurtenances heretofore acquired and presently owned by LCWD, together with its inventory of materials and supplies then on hand, and its accounts receivable (represented by service charges earned and uncollected as of the Closing Date, whether billed or unbilled).

(2) Immediately after the execution of this Contract by all parties hereto, LCWD will join Big Sandy in instituting such proceedings as are required by law before the Public Service Commission, seeking approval of such transfer of title and ownership.

(3) That it will deliver to Big Sandy, on the Closing Date, a true, complete and accurate list and statement of LCWD's current customers and LCWD's accounts payable as of the Closing Date.

(4) On the Closing Date, LCWD will deliver to Big Sandy all sums as of the Closing Date accumulated and held in LCWD's Revenue Fund, Sinking Fund, Operation and Maintenance Reserve Fund and Depreciation Reserve Fund, which monies in such Funds of LCWD shall be deposited by Big Sandy in comparable Funds established in connection with the issuance of the Prior Big Sandy Bonds.

(5) On the Closing Date, LCWD will deliver to Big Sandy a true and accurate list of (i) its then issued and unpaid bills for water service then due or theretofore rendered, and (ii) its meter-readings as of the Closing Date, representing water service rendered but not yet billed in order that Big Sandy may effect collection thereof in an orderly manner.

**Section 302. Agreements of Big Sandy.** Big Sandy agrees:

(1) That immediately after the execution of this Contract by all of the parties hereto, it will join LCWD in proper proceedings before the Public Service Commission, seeking such approving orders as are required by law insofar as LCWD is concerned.

(2) Big Sandy will enter into the Assumption Agreement wherein Big Sandy will assume the obligations evidenced by the Prior LCWD Bonds.

(3) That it will receive from LCWD, such monies as LCWD shall transfer to Big Sandy from LCWD's Revenue Fund, Sinking Fund, Operation and Maintenance Reserve Fund and Depreciation Reserve Fund, and will deposit such sums in corresponding funds established in connection with the Prior Big Sandy Bonds.

(4) That it will pay, from money collected by Big Sandy for water service rendered in the Area of LCWD, such accounts payable of LCWD as LCWD makes known to Big Sandy at the Closing Date.

(5) That from and after the Closing Date Big Sandy will render water service directly to the present customers of LCWD, and to such customers within the Area of LCWD as may hereafter be interconnected with the water facilities upon compliance with the rules and regulations of Big Sandy, as the same may prevail from time to time; that Big Sandy will furnish such water service at LCWD's Rates (Exhibit A); and will continue to furnish such water service at LCWD's Rates until

such time as Big Sandy desires to change such LCWD's Rates by proper legal proceedings before the Public Service Commission.

**Section 303. Agreements of RD.** RD agrees that on or before the Closing Date it will enter into the Assumption Agreement with LCWD and Big Sandy.

**Section 304. Water Purchase Contract Will Be Assumed.** Big Sandy and LCWD agree that on or before the Closing Date and upon consummation of this Contract in all of its aspects, the Water Purchase Contract will be assigned to Big Sandy.

**Section 305. If Material Litigation Is Pending At The Closing Date.** LCWD, Big Sandy and RD are in mutual agreement that this Contract will not be consummated if, upon the Closing Date, there is litigation pending in any court of competent jurisdiction (or known by any of the parties to be threatened) challenging the legality of material actions proposed to be taken by the parties as herein provided. In the event such litigation has been filed or is known to be imminently threatened, the parties may (a) by mutual agreement postpone the Closing Date for a reasonable period of time, or (b) any party may cancel this Contract upon notice to the other parties. In the event of cancellation, the parties will remain in the same status as if this Contract had not been executed, without liability of any party to any other party; and each party shall absorb and pay any expense which it has incurred up to that time.

## ARTICLE IV

### EXECUTION AND RECITATION OF AUTHORITY

**Section 401.** LCWD has caused this Contract to be executed in its name and on its behalf by the LCWD Chairperson, and has caused its seal to be affixed, attested by the Secretary of its Board, and represents that due authority has been vested in such officers by a Resolution of the Board of LCWD, now in full force and effect.

**Section 402.** Big Sandy has caused this Contract to be executed in its name and on its behalf by the Big Sandy Chairperson and its seal to be affixed, attested by the Secretary of its Board, all being done pursuant to a Resolution duly adopted by the Big Sandy Board and now in full force and effect.

**Section 403.** RD has caused this Contract to be executed by its State Director and represents that said State Director is vested with full authority in law to execute the same.

**Section 404.** This Contract may be executed in any number of counterparts, each of which shall constitute an original, for all purposes.

**Section 405.** This Contract is made as of the year and day first above written, and shall be effective as of that date without regard to the fact that execution hereof by the parties shall have been effected at the same time or at other times.

LAWRENCE COUNTY WATER DISTRICT

By *Gene Hinkle*  
Chairperson of its Board

(Seal)

Attest:

*Larry D. Motts*  
Secretary of its Board

BIG SANDY WATER DISTRICT

By *Paul E. Thomas*  
Chairperson of its Board

(Seal)

Attest:

*Charlie Shockay*  
Secretary of its Board

UNITED STATES DEPARTMENT OF  
AGRICULTURE, ACTING BY AND  
THROUGH RURAL DEVELOPMENT

By *[Signature]*  
State Director

**EXHIBIT A**

**MONTHLY WATER RATES  
LAWRENCE COUNTY WATER DISTRICT**

First 2,000 Gallons	\$16.00	Minimum Bill
Next 3,000 Gallons	5.00	Per 1,000 Gallons
Next 5,000 Gallons	4.00	Per 1,000 Gallons
Next 10,000 Gallons	3.50	Per 1,000 Gallons
All over 20,000 Gallons	3.25	Per 1,000 Gallons

**Connection Fee**

5/8" x 3/4" meter	\$500.00
Larger than 5/8" x 3/4"	Actual Cost of Installation

**EXHIBIT B**

**BIG SANDY'S WATER RATES**

**Residential Customers**

First 2,000 Gallons	\$14.70	Minimum bill
Next 8,000 Gallons	5.45	Per 1,000 Gallons
Next 20,000 Gallons	4.32	Per 1,000 Gallons
Next 20,000 Gallons	3.56	Per 1,000 Gallons
All over 50,000 Gallons	2.80	Per 1,000 Gallons
Connection Fee	\$500.00	

**Commercial Customers**

**1 inch meter**

First 10,000	\$58.30	Minimum bill
Next 20,000	4.32	per 1,000 gallons
Next 20,000	3.56	per 1,000 gallons
All over 50,000	2.80	per 1,000 gallons
Connection Fee	\$750.00	

**2 inch meter**

First 50,000	\$215.90	Minimum bill
All over 50,000	2.80	per 1,000 gallons
Connection Fee		Actual Cost of Installation

**3 inch meter**

First 100,000	\$355.90	Minimum bill
All over 100,000	2.80	per 1,000 gallons
Connection Fee		Actual Cost of Installation



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NOV 23 1999

PUBLIC SERVICE  
COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY

In the Matter of:

**THE JOINT APPLICATION OF LAWRENCE )  
COUNTY WATER DISTRICT AND BIG SANDY )  
WATER DISTRICT FOR AUTHORIZATION AND )  
APPROVAL OF THE PROPOSED TRANSFER OF )  
OWNERSHIP AND CONTROL OF ALL OF )  
LAWRENCE COUNTY WATER DISTRICT'S )  
WATER SYSTEM PROPERTY ASSETS AND )  
FUNDS TO BIG SANDY WATER DISTRICT )**

Case No. \_\_\_\_\_

**STATEMENT OF THE SUPERINTENDENT OF THE  
BIG SANDY WATER DISTRICT IN SUPPORT OF THE  
JOINT APPLICATION OF LAWRENCE COUNTY WATER DISTRICT  
AND BIG SANDY WATER DISTRICT**

I, Bob McGlothlin, being first duly sworn, state that I am the Superintendent of the Big Sandy Water District (hereinafter "Big Sandy") and make the following statement on its behalf in support of the Joint Application of Lawrence County Water District ( hereinafter "Lawrence Water") and Big Sandy (hereinafter collectively the "Applicant") for authorization to transfer Lawrence Water's assets and liabilities to Big Sandy.

1. Big Sandy is a water district created pursuant to Chapter 74 of the Kentucky Revised Statutes and is under the jurisdiction of the Kentucky Public Service Commission pursuant to KRS 278.012.

2. Big Sandy has approximately 2,491 customers located in portions of Boyd, Carter and Lawrence Counties in Kentucky.

3. Big Sandy is financially sound and has adequate operating capital to conduct its operations and to add to its system the distribution system of Lawrence County. Big Sandy's 1999

Annual Report is incorporated herein by reference and sets forth factual information to show that Big Sandy has the financial, technical and managerial ability to serve Lawrence County's customers.

BIG SANDY WATER DISTRICT

By Robert M. Goshlin  
Superintendent

Subscribed and sworn before me this 15 day of November, 1999.

My Commission Expires: June 1, 2000

John M. Campbell  
Notary Public, in and for the County of  
Boyd, Kentucky

**ADOPTION NOTICE**

The undersigned Big Sandy Water District of Boyd, Carter and Lawrence Counties hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and regulations for furnishing water service to the present customers of Lawrence County Water District in Lawrence County in the Commonwealth of Kentucky, filed with the Public Service Commission of Kentucky by the Lawrence County Water District and in effect on the 1<sup>st</sup> day of June, 1999, the date on which the public service business of the said Lawrence County Water District was taken over by it.

This notice is issued on the 15<sup>th</sup> day of November, 1999, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

BIG SANDY WATER DISTRICT

By Paul E. Thomas  
Chairman

Authorized by K.P.S.C. Order No. \_\_\_\_\_